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HUB LAW OFFICES
711 Sir Francis Drake Boulevard
San Anselmo, California 94960-1949
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Attorney for Defendants
GERALD ARMSTRONG and THE
GERALD ARMSTRONG CORPORATION

FILED

JAN 20 1995

HOWARD HANSEN
MARIN COUNTY CLERK
By J. HALE Deputy

SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF MARIN

CHURCH OF SCIENTOLOGY INTERNATIONAL,)
a California not-for-profit)
religious corporation,)
)
Plaintiff,)
)
vs.)
)
GERALD ARMSTRONG; MICHAEL WALTON;)
THE GERALD ARMSTRONG CORPORATION)
a California for-profit)
corporation; DOES 1 through 100,)
inclusive,)
)
Defendants.)
)
_____)

No. 157 680

**ARMSTRONG'S DECLARATION
IN OPPOSITION TO
SCIENTOLOGY'S MOTION TO
COMPEL ANSWERS TO
DEPOSITION QUESTIONS**

Date: 1/27/95
Time: 2:00 P.M.
Dept: Referee
Trial Date: May 18, 1995

RECEIVED

JAN 20 1995

HUB LAW OFFICES

*conformed copy
to Berg 1/20/95
JH*

1 Accusations;"

2 Exhibit B: Excerpts from Volumes 6 and 7 of the
3 Deposition of Gerald Armstrong taken in
4 Scientology v. Armstrong, Los Angeles Superior
5 Court Case No. BC 052395 (now Marin Superior
6 Court Case No. 157680);

7 Exhibit C: Memorandum of Intended Decision of Judge Paul
8 G. Breckenridge, Jr. filed June 22, 1984, in
9 Scientology v. Gerald Armstrong, Los Angeles
10 Superior Court Case No. C 420153

11 Exhibit D Letters from Gerald Armstrong to Eric
12 Lieberman dated August 21 and August 22, 1991.

13 3. I am a supporter of the Cult Awareness Network (CAN) and
14 depend on CAN for support as well. I attended CAN's national
15 conventions in 1992 and 1993, as well as other smaller, local CAN
16 activities. I am a member of CAN's focus groups, which are made
17 up of former members of destructive cults, such as Scientology. I
18 associate with CAN because it is a group of right-thinking people
19 who are either survivors of or are knowledgeable about destructive
20 cults, of which I am one.

21 4. I am a supporter of Fight Against Coercive Tactics
22 (FACTNet) and depend of it as well for support. FACTNet is a
23 repository of documents and information concerning destructive
24 cults, especially Scientology. I am very familiar with
25 Scientology's policies, practices and penchant for theft and
26 destruction of documents, particularly evidence of its crimes and
27 antisocial activities. (See, e.g., Ex. C, Appendix at 2:1-25).

28

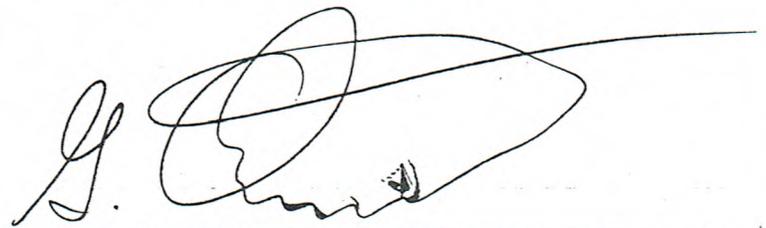
1 FACTNet's repository of Scientology-related documents is important
2 for my defense in the instant litigation. I associate with
3 FACTNet because it is, as is CAN, a group of right-thinking people
4 who are either survivors of or are knowledgeable about destructive
5 cults, Scientology in particular.

6 5. Both CAN and FACTNet have been targeted by Scientology
7 for both litigation and extralegal attacks. Our right to
8 associational privacy is essential for our survival.

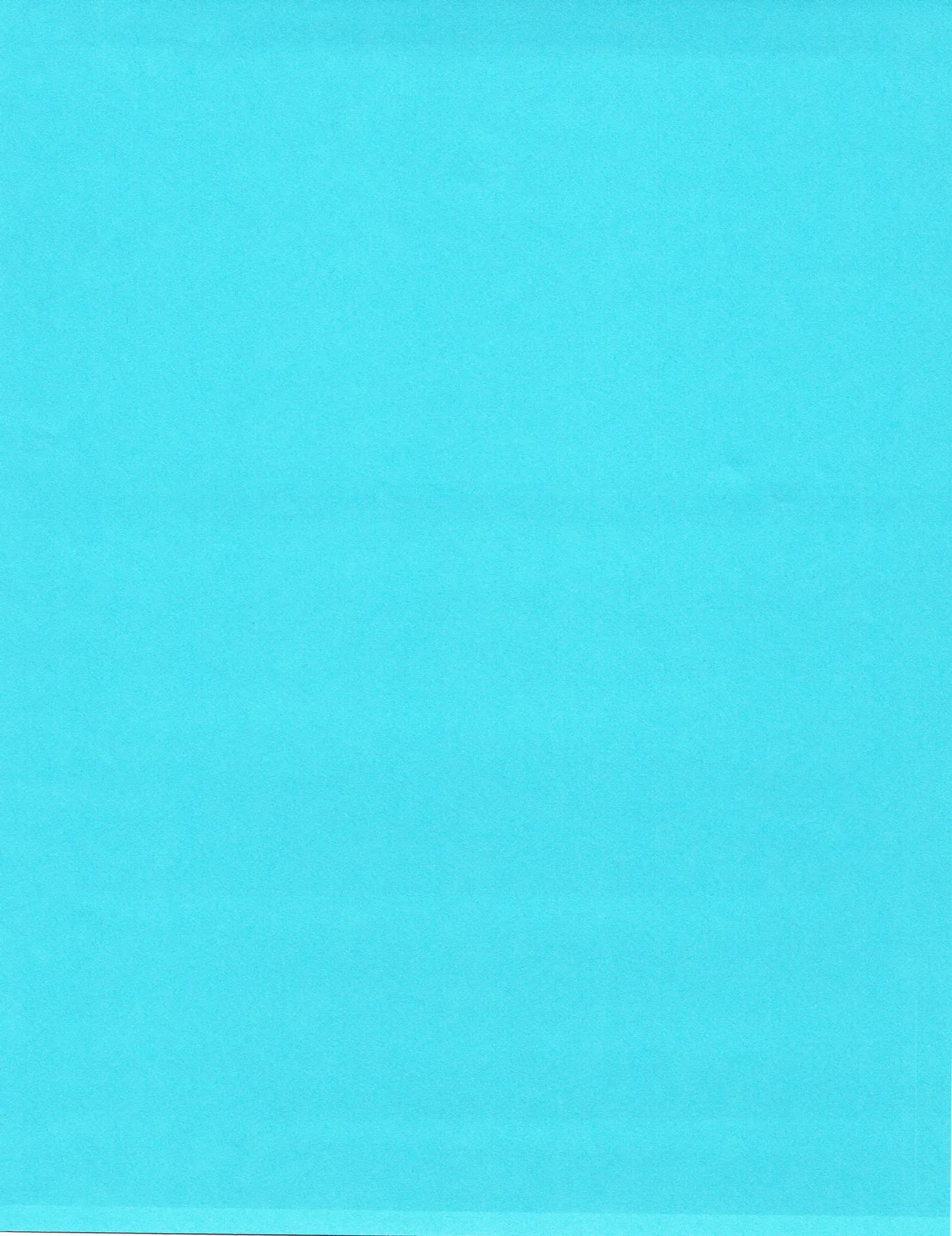
9 I declare under the penalty of perjury under the laws of the
10 State of California that the foregoing is true and correct.

11 Executed at San Anselmo, California, on January 20, 1995

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GERALD ARMSTRONG



Church declared tax-free The IRS says Scientology can be called a religion

By ABDON M. PALLASCH
Tribune Staff Writer

CLEARWATER — The Church of Scientology has won the right to call itself a bona fide, tax-exempt religion, a goal that eluded the sect's late founder, L. Ron Hubbard, for decades.

News of the Internal Revenue Service (IRS) decision granting the church tax-free status drew cheers at the church's International Spiritual Headquarters in Clearwater.

But it brought frustration to local government officials who had hoped to collect nearly \$8 million in property taxes on 11 properties in Clearwater and one in Tampa.

"The IRS has kind of taken the wind

out of our sails," said Pinellas County Property Appraiser Jim Smith. It will be tougher now to make the church pay taxes on any of its \$27.5 million worth of property in Clearwater, he said.

Scientologists also sought tax-exempt status on property at 3617 Henderson Blvd. in Tampa, which Hillsborough County Property Appraiser Ron Alderman denied. Alderman's attorneys are reviewing the IRS's decision and how it impacts that Scientology building.

Scientologists have filed dozens of lawsuits against the IRS over the last 40 years because it refused to grant most of the church's branches — including those in Pinellas and Hillsborough counties — tax-exempt status.

As part of an Oct. 1 settlement, the IRS granted tax-exempt status to the remaining 153 of Scientology's 167 corporate entities.

"We've always been legitimate," said Marty Rathbun, president of the church's newly tax-exempt Los Angeles-based Religious Technology Center. "Now that the U.S. government is saying it — all the better."

Three thousand Scientologists from around the country came to a party at the church's Fort Harrison Hotel in Clearwater this weekend to hear Scientology leader David Miscavige announce via satellite from Los Angeles that "the war is over" with the IRS, Rathbun said.

Mayor Rita Garvey said the ruling didn't legitimize Scientology in her eyes.

In the 1970s, the Scientologists bought the Fort Harrison Hotel under the name of "United Churches of Florida." And a group of 11 Scientologists went to jail for installing listening devices in an IRS office in Washington, where the church's tax status was being discussed.

Rathbun said those church members were expelled, but Garvey said she's seen no change in the church's tactics over the years.

"They just put on a good front, and they hire expensive lawyers," Garvey said.

The IRS ruling means the main component of Scientology — one-on-one counseling sessions called "auditing" in which members release unpleasant memories from their mind — is a religious process.

Members can now deduct the fees for auditing, which average \$400 an hour, Rathbun said.

"I just don't believe that a church is one-on-one with a counselor," said City Commissioner Fred

Thomas. "I consider that a business function."

"Scientology is serving a need that exists — otherwise people wouldn't go there," Thomas said. "The problem is the Scientologists get a free ride from the back of the Clearwater taxpayer."

Smith and the Scientologists' attorney Paul Johnson have agreed to appear before a mediator to discuss real estate taxes on church property but have set no date for that meeting. Other churches in Pinellas pay taxes on property not used specifically for religious purposes, Smith said.

Not all 11 properties owned by the Church of Scientology are used for religious purposes, he said. For instance, the Church of Scientology uses an apartment complex to house its workers and part of the Fort Harrison Hotel as a hotel and should pay taxes on that portion of it, Smith said.

That same standard is used by Dade County in assessing taxes on Church of Scientology property.

But Johnson disagreed with Smith's assessment.

"All we have to demonstrate now is that the properties here in Clearwater are used for religious purposes — I think every single one of them [is]," Johnson said.

Mayor Rita Garvey
City Hall
112 South Osceola Ave.
Clearwater, FLA. 34616
(813) 462-6700.



St. Petersburg Times



Times file

The late L. Ron Hubbard's works are being safeguarded to survive a nuclear war.

Papers detail church's finances

■ Scientology documents filed with the IRS include \$114-million expenditure to preserve founder L. Ron Hubbard's writings.

By DAVID DAHL and KARL VICK
Times Staff Writers

WASHINGTON. — The Church of Scientology, freed of its income tax obligations by the IRS this month, is spending \$114-million to preserve the voluminous writings of deceased founder L. Ron Hubbard, the group says in newly released documents.

The works will be etched into steel plates and printed in book

■ IRS ruling a blow to Pinellas County's tax suit. Section B

form on natural cotton and linen fabric, according to documents. Some will be stocked in an underground vault in California that is designed, Scientologists hope, to protect the writings during a nuclear war.

"Stored well, they will last indefinitely," the Scientologists' lawyers wrote in papers filed with the Internal Revenue Service.

Hubbard wanted it that way. The former science fiction writer bequeathed \$30.3-million to archive his Scientology work. After his death in 1986, the writings were gathered from 85 locations in 19 countries.

The elaborate plans are just one of the eccentricities laid out in documents the group filed with the IRS as part of its successful, four-decade battle to win tax-exempt status. The victory culminated this month after a set of negotiations that started at the IRS' request in 1991.

The documents reveal the

Church of Scientology as a warren of dozens of organizations from Denmark to Clearwater. Some of them push "social betterment" in places like south Los Angeles and Russia. One group tracks the royalties from Hubbard's estate, right down to his sculptured busts. Another "safeguards" the church from persecution. Yet another oversees sales of Hubbard's "Scriptures" — 500,000 pages of writing, 3,000 taped lectures and 100 films.

And the money flows. The Scientologists own a cruise ship with a book value of \$15.2-million, and they spent \$8.5-million on legal expenses in a single year, \$6-million for an ad campaign in *USA Today*, and \$2.125-million for uniforms worn by members of its "Sea Org" division.

The documents indicate that personnel costs are low. The staffers are paid \$50 a week, live in a communal setting and spend 14½ hours a day on religious work. High-level Scientologists appear to collect a modest salary: David Miscavige, the top official of the church, was paid \$34,779 in 1992 and \$62,684 a year earlier by the Scientology-affiliated Religious Technology Center, the records show.

Where does the money come from? Most of the 30 or so organizations granted tax-exempt status this month reported collecting money from church members for religious services, from the sale of Scientology books and from investment income.

The parishioners' donations are key. Scientologists pay up to thousands of dollars for counseling in a process known as auditing that is supposed to rid the mind of negative thoughts and improve their lives.

Critics call it a scam, but lawyers described the Church of Scientology's method of charging for its services this way: "All prices and rates are set to enable churches of Scientology to provide the services, Scriptures and other materials of the religion to more and more members of the general public so that everyone eventually can achieve spiritual salvation."

The Clearwater-based Church of Scientology Flag Service Organization reported \$74.3-million in total revenue last year and expenses of \$75.9-million. One big expense: the Clearwater affiliate transferred some \$24.3-million back to the "mother" church in Los Angeles.

Its lawyers say the Clearwater organization is the largest Church of Scientology in the world, with 750 staff members and a "distraction-free, wholly supportive environment."

Less orthodox religious activities are detailed in the documents as well.

Scientology's 440-foot yacht, the *Freewinds*, is valued at \$15.2-million and cruises mainly in the Caribbean under the operation of Majestic Cruise Lines. Church lawyers wanted to make clear, however, that it is not a place people come to relax.

There is a swimming pool on board, but it is used only "sporadically" four or five hours a day. The volleyball court might be used only an hour, the lawyers told the IRS.

Passengers stay only a week at a time, unless they came aboard to get the Key of Life. That might require staying six weeks.

The *Freewinds*, after all, is the "only place in the world where the highest level of auditing is permitted, through 1-on-1 sessions. The nautical setting recreates the Sea Organization of the 1960s and 1970s, the IRS was told, when Hubbard was aboard a ship called the *Apollo*.

The documents also shed light on the church's new electronic accounting system. The IRS wanted to know more about it.

St. Petersburg Times
Thursday, Oct. 14, 1993

The church's answer included an explanation of its faith in statistics: "Over the years, a very precise system has evolved whereby each function in a Church is given a statistic which is recorded weekly, plotted against time and reported each week to CSI (Church of Scientology International). The statistics give a complete picture of whether a particular Church is performing its duties in accordance with Scripture."

The attached exhibits are graphs showing dollar income.

Explaining still another operation, church lawyers told the IRS that a unit called Guardian had been responsible for the illegal activities that did so much to sully Scientology's reputation, and that the unit was disbanded.

The lawyers also said a new unit was established about the same time. The International Association of Scientologists was founded to stand apart from the church's ecclesiastical hierarchy, free of its board of directors, but drawing members from church rolls.

The association charges dues

of \$300 a year, but raises most of its money from "membership tours." Fund-raisers receive commissions of from 4 to 10 percent of donations. Donors, in turn, are offered the honor of "special statuses," with gifts ranging from \$5,000 to \$1-million.

In 1991 the International Association of Scientologists spent \$6-million on advertisements in *USA Today* and by the end of the following year could still report net assets of \$92-million. More than half that amount was in cash. Three-million was in gold bullion.

Ruling may cost Pinellas millions

■ The IRS' exemption of the Church of Scientology may doom the county's effort to collect a tax bill exceeding \$7.9-million.

By WAYNE GARCIA
Times Staff Writer

CLEARWATER — Pinellas County's property tax lawsuit against the Church of Scientology is badly wounded by an Internal Revenue Service ruling that exempts the organization from federal income taxes, Property Appraiser Jim Smith said Wednesday.

The two sides are headed back to mediation that likely will result in many, if not all, of the Scientology properties being removed from the property tax rolls.

"We have to look at what we can win and what we can't win," Smith said. "If a group the size of the IRS with all its resources and staff couldn't find something on Scientology that stuck, I don't know what I can come up with."

At stake is more than \$7.9-million in back taxes and penalties.

Smith said the IRS decision came as a complete surprise, forcing him to change his position on Scientology's 11-year-old request to drop \$24-million worth of property in Clearwater from the tax rolls. Another \$1-million in Scientology property is on the tax rolls without protest from church officials.



Appraiser Jim Smith: "We have to look at what we can win."

Hillsborough County Property Appraiser Ron Alderman likewise said the IRS decision is forcing him to re-examine the status of a small Church of Scientology property in Tampa.

"This really puts a fly in the ointment," Alderman said Wednesday.

Scientology's lawyer, Paul Johnson, said he thinks the years of litigation and high legal costs are just about over.

"If we were to try this case now, it would cost thousands and thousands of dollars," Johnson said. "Both the county and my client benefit."

Tuesday, IRS officials said they gave tax-exempt status to 153 Scientology churches, missions and corporations after two decades of investigations that showed that Scientology revenues were being used for church purposes and not private gain.

After meeting with county attorneys Wednesday morning, Smith said it's very likely that parts or all of some Scientology properties, including the former Fort Harrison Hotel and the Sandcastle building on the waterfront, will be taken off the property tax rolls because they are used for religious purposes.

The IRS exemption takes away Smith's ability to argue whether the Church of Scientology is a bona fide religious organization. The only distinction that remains for exemption purposes is the use of the properties, Smith said.

If Pinellas County settles the case, "I know some people out there will be upset with me for not taking this thing further," Smith said.

State law allows charitable and religious organizations to be exempt from paying property taxes on land they own if they use that land for non-profit activities. A church-owned parcel rented to a convenience store, for instance, would not qualify for the property tax exemption because the store is a profit-making business.

Scientology will simply have to show that its properties in Clearwater and Tampa are for religious purposes to gain the exemption now, Johnson said.

"We can demonstrate very clearly the religious use of the properties," Johnson said.

In Pinellas County, more than 3,000 parcels already qualify for a similar exemption, taking more than \$1.2-billion in land and buildings off the tax rolls.

In Clearwater, Scientology owns 20 parcels of land that are grouped in 11 properties. They are used for housing Scientology staff, delivering counseling services, hotel rooms and office space. The centerpiece of their property is the former Fort Harrison Hotel, on the tax rolls at \$10-million.

In Tampa, the related Church of Scientology Tampa Inc. this year asked for an exemption on its Dianetics center at 3617 Henderson Blvd. The Tampa group bought the center for \$437,000 in September 1992, Alderman said. It is on Hillsborough tax rolls at \$336,369, with an estimated annual tax of \$8,900.

Alderman's office has denied the exemption, and Scientology officials appealed. A hearing in the case is set for Nov. 3.

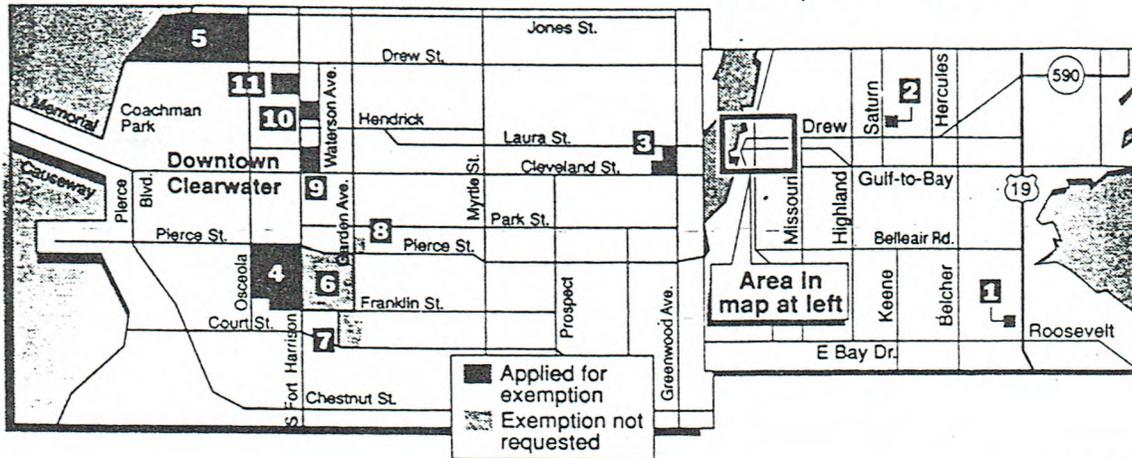
Alderman said he had planned to fight the exemption but now is not sure how he'll proceed.

"That was before I got this bombshell dropped on me today," Alderman said Wednesday about the IRS ruling.

Church of Scientology Tampa officials tried unsuccessfully in 1977 and 1984 to get a property tax exemption for a home at 2522 Palm Drive, calling it a parsonage. Alderman said the recent Henderson Boulevard request is the first exemption effort by the Church of Scientology since then.

Jim Smith (813) 464-3207
Pinellas County Property Appraisers Office
315 Court Street
Clearwater, FL 34616

Church of Scientology land holdings



| SITE ON MAP, ADDRESS | ASSESSED VALUE | SITE ON MAP, ADDRESS | ASSESSED VALUE |
|--------------------------------------------------------------------------------------------------------------------------------|----------------|------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| 1. 16432 U.S. Highway 19: Former Quality Inn. Day-care facilities and school for Scientology children and housing for staff | \$1,745,200 | (6-7-8) Former Gray Moss Inn and related properties; Future site of \$40-million religious training center | (Exemption not requested on these properties) |
| 2. 551 N Saturn Ave.: Hacienda Gardens. Housing for Scientology staff. | \$4,850,000 | 6. 516 Franklin St. Vacant (Washburn part of lot 7) | \$209,100 \$49,100 |
| 3. 1024 Cleveland St.: Heart of Clearwater Motel. Lodging for Scientologists. | \$928,800 | Vacant (Washburn part of lot 8) | \$43,700 |
| 4. 210 S Fort Harrison Ave.: Fort Harrison Hotel. | \$10,061,500 | Vacant (Washburn part of lot 9) | \$22,900 |
| 5. 200 N Osceola Ave.: Sandcastle Motel. Lodging, dining, high-level training for visiting Scientologists. | \$5,016,000 | Vacant (Washburn part of lot 11) | \$37,500 |
| | | 7. Vacant (Court Square lots 1-5) 531 Franklin St. | \$96,500 \$321,400 |
| | | 319 S Garden Ave. | \$122,300 |
| | | 8. 115 S Garden Ave. | \$317,900 |
| | | 9. 500 Cleveland St. 15 N Fort Harrison Ave. | \$341,500 \$196,000 |
| | | 25 N Fort Harrison Ave. | \$182,700 |
| | | Former Bank of Clearwater Building, adjacent property. Future home of Scientology museum, dining hall for staff. | |
| | | 10. 109 N Fort Harrison Ave. | \$154,800 |
| | | 11. Vacant (W Coast Bldg.) | \$104,400 |

St. Petersburg Times

Florida's Best Newspaper

Scientologists profited from new members

■ Newly released earnings reports show late founder L. Ron Hubbard's disciples can earn big money by soliciting members to Scientology.

By **KARL VICK** and **DAVID DAHL**
Times Staff Writers

WASHINGTON — It pays to pitch Scientology, according to earnings reports the church has filed with the Internal Revenue Service.

One man averaged almost \$200,000 a year in commissions from the fees of new members he had solicited to become Scientologists.

The church gives its proselytizers 10 to 15 percent of what newcomers "donate" for church services, such as the process called

auditing that tells how far from salvation the newcomer is. That means the top pitchman in the 1990s, identified only as Barry Klein, drummed up more than \$1.3-million for Scientology each year.

Scientologists who collect from other church members can make out even better. Ken Pirak made \$407,000 in 1991 from a western states "membership tour," as the church calls its fund-raising round-ups. Next in line that year was Steve Grant, whose commissions totaled

\$340,000 from a membership tour based in Clearwater, home of Scientology's spiritual headquarters.

The earnings reports stand out in the voluminous record of Scientology's 40-year battle to persuade the IRS that as a religious organization it deserved to be exempt from taxes.

This week the IRS announced it granted the exemption, and the Scientology files that led to the decision became public. They reveal a vast organization sophisticated in finances — and more than a little

defensive about that sophistication.

"In truth, only 1 percent Scientology Scripture has anything at all to do with finance," church lawyers wrote in one of their more combative replies to a written question from the IRS. They said founder L. Ron Hubbard's oft-quoted advice to "make money" is balanced by passage in which Hubbard calls money "the weakest" motivation.

"People and businesses that are motivated only by money are wobbly people," Hubbard wrote.

"Yet somehow the IRS and other detractors never quote the above policy," the lawyers said. "Instead we are vilified with out-of-context quotes that are further interpreted falsely by the Service, passing their interpretations off as courts."

Church lawyers went on to acknowledge that Hubbard, who died in 1986, also advised "never volunteer anything" when dealing with tax collectors. He mentioned the government's "bloodsucking appetite."

But, the lawyers add, "that is hardly a novel view."

Whatever role money plays in Scientology as a religion, it was naturally a main issue before the IRS. Millions in tax dollars were at stake, as well as a stamp of legitimacy for a religion that appears to offer its followers salvation on a fee-for-service basis.

FRIDAY
Oct. 15, 1993

Documents from 12 Scientology organizations, all but one dated 1992, list \$275-million in assets. The church has holdings in real estate, stocks and gold bullion, but by far its largest source of revenue appears to be donations from its members and newcomers, who pay fees to undergo Scientology's ascending series of personal evaluation, called auditing.

Exact figures remain elusive, however, because money flows freely among the more than 30 Scientology organizations that received tax-exempt status from the IRS this month. Their hierarchy is far from simple.

For example, the buildings in Clearwater house the church's spiritual headquarters, known as the Flag Service Organization. It had assets last year of \$48-million and revenues of \$74.3-million. Of those revenues, \$24.3-million was transferred to the "mother church" — the Church of Scientology International in Los Angeles.

The mother church listed assets of \$69-million in 1991. They were topped a year later by the \$92-million controlled by the International Association of Scientologists, a "support" organization established to safeguard Scientology and raise funds. It is based in Sussex, England.

Meanwhile, the church's top executive, David Miscavige, is paid by Religious Technology Center, a \$3.8-million organization that serves as "protector of the religion of Scientology" and its logos and slogans.

If it seems confusing to an outsider, its lawyers explain that Scientology is a "very exact faith . . . (and) utmost importance is given to the precise application of Dianetics and Scientology." In the hands of rivals, the religion's trademarks could "deny unwitting and well-intentioned individuals the opportunity to experience the gains of real Dianetics and Scientology, and thus ultimate spiritual salvation."

Easier to make out is where the church spends its money. In one document, lawyers detail \$205-million in spending from cash reserves across two years, 1987 and 1988. The total includes \$30-million in legal bills, and \$3.4-million used to mount a Hollywood Boulevard exhibition on Hubbard's life.

The church spent relatively little on good works. Its own statement of one year's cash flow to organizations devoted to "social betterment," such as The Way to Happiness Foundation, totaled less than \$9-million.

Meanwhile, Scientology spent \$7-million on the seven nuclear blast-resistant doors for a vault where Hubbard's papers would be stored within titanium capsules, which cost another \$7-million.

A total of three vaults are being built, the files reveal: one in Southern California, another in Northern California, the third in New Mexico.

Other expenses: \$1-million for the powerhouse public relations firm Hill & Knowlton and \$1-million to sponsor the Seattle Goodwill Games.

An Internal Review spokesman declined Thursday to explain how the agency came to decide Scientology qualified as tax-exempt. Bland form letters announced the exemptions, and the correspondence between the IRS and the church runs in contrary directions.

The agreement appears to have grown from a 1991 invitation from the IRS to come to an amicable conclusion on the tortured issue. Yet the agency's questions understandably dwell on areas officials found most troublesome.

One was the Guardian Office. Scientology lawyers offered a lengthy summary of how the church's former security arm came to threaten reporters and other critics, infiltrate government offices and steal federal files.

From its establishment in the 1960s, the documents say, the Guardian Office was run by Hubbard's wife, Mary Sue, as a secretive separate operation with 1,500 employees. Scientology provided a sworn statement from a government prosecutor confirming that rank-and-file members knew almost nothing of its operations.

Neither, apparently, did Hubbard. The documents report the founder often disappeared for long periods, calling in every few months to ask what was new. In September 1981, he was reportedly shocked to hear developments that had been making headlines since the FBI raided his church's Washington, D.C., office four years earlier.

But then, according to the files, his sabbaticals had had consequences before.

In 1966, Hubbard left Scientology headquarters, then in England, to live aboard a yacht and investigate the past lives he suspected he had lived around the Mediterranean. His journeys led to greater ecclesiastical glories for his religion, but the church itself languished in his absence.

Eventually, managers of Scientology's spiritual side took up residence aboard the yacht *Apollo* as well, then moved to Clearwater in 1975. Its leaders share the elite mantle "Sea Org," or Sea Organization, meaning each has neared the pinnacle of the faith, and signed a contract pledging the next billion years of existence to Scientology.

"A couple of dozen of the most proven Sea Org executives," led by Miscavige, are portrayed as riding to the rescue of Scientology by wresting control of the Guardian Office from Mary Sue Hubbard in a dramatic series of "missions" in the early 1980s.

In due course, Mrs. Hubbard and 10 other Scientologists were imprisoned on charges of stealing government files and bugging an IRS office. Guardian Office and its Intelligence Bureau were disbanded altogether by Scientology and replaced by new services.

All are closely supervised, church lawyers assured the IRS.

EDITORIALS

Scientology's 'charity'

Forget, for a moment, the corporate spying, the illicit attempts to discredit its opponents. Forget the seized Church of Scientology documents that revealed a plan "to fully investigate the Clearwater city and county area so we can distinguish our friends from our enemies and handle as needed." Forget the "church" members who bugged U.S. Internal Revenue Service offices and stole files from government agencies.

Consider merely the practical effect of the IRS' decision to grant tax-exempt status to 153 Church of Scientology churches, missions and corporations: The IRS now has granted charity status to a collection of corporations that deliver a service priced at \$800 an hour; it has asked other taxpayers to, in effect, subsidize the work of a worldwide corporate empire whose method of counseling was developed by a former science fiction writer, L. Ron Hubbard.

Even as local Scientology spokesman Richard Haworth was celebrating the IRS' decision, he was making the relevant point: "Now we can get down to our real business, that of delivering counseling."

That "business" is a multimillion-dollar operation that profits from people in need, and please take note of the bottom line. To have one's conscience cleansed and purified by the Church of Scientology can cleanse one's savings account of as much as \$400,000.

Though the IRS decision no doubt represents bureaucratic surrender, it also speaks to the impossibly flawed state of tax law. The laws governing tax status for charities and churches are so vague and so generous that a clearly non-religious or non-charitable enterprise can still claim exemption from taxation as long as it is "substantially related" to the charitable organization.

No government agency should be in the

business of defining religion, but it can determine the point at which an organization operates like a profitmaking business. That's the point at which taxes should be paid like any other business.

The problem is that Congress has been incapable of drawing that line. The basic tax exemption for charitable organizations has changed only twice since it was first adopted in 1913, and the last time a House Ways and Means subcommittee took up the issue of "unrelated-business income tax," in 1989, the effort was dropped before a bill was even introduced. Said subcommittee member Charles Rangel, D-N.Y.: "I don't see why we would want to walk on such troubled waters until we knew who's walking with us." In other words, don't fight church or charity.

The problem with the congressional hands-off approach is that it leaves the IRS in a box. The agency must accept, constitutionally, the Church of Scientology's claims of religiosity; but it can't then force the proper distinctions about profitmaking enterprise. Though non-profit organizations have argued that such abuses are rare, the IRS discovered an intriguing trend during the 1980s. Between 1985 and 1987, when Congress was debating the unrelated-business income tax, which requires taxes to be paid on the commercial portions of exempt organizations, tax payments from non-profit organizations quadrupled.

If the Church of Scientology's new status as a charity doesn't wake up Congress, then little will. Eleven years ago, when the Clearwater City Commission conducted hearings on the church, Hubbard's son, Ron DeWolf, said his father had created the religion as a way to solve tax problems, and added: "My father only knew how to do one thing, and that was to destroy people." Welcome to the nation's latest charity, one which all taxpayers will help support.

IRS examined Scientology dollars, not dogma

When the IRS granted tax exemptions to the church, it did so mainly on the basis of what Scientology did with its money.

By DAVID DAHL and KARL VICK
Times Staff Writers

WASHINGTON — It might be easier for a camel to walk through the eye of a needle than for the IRS to judge the merits of a religion. So when it comes to considering tax exemptions, the agency sticks to what it knows: money.

For the Church of Scientology, which won a series of tax exemptions earlier this month, that meant proving no one was pocketing the millions of dollars in donations the organization collects for

religious services.

It also had to assure the Internal Revenue Service that the church operates "exclusively for religious or charitable purposes." And, as part of its deal with the IRS, the Scientologists agreed to drop a group of nettlesome lawsuits against the tax agency.

Those were the main issues that led the IRS to reverse decades of decisions against the Scientologists and grant exemptions to 153 Scientology churches, missions and corporations earlier this month, according to the IRS, documents

in the case and private tax attorneys.

Despite the explanations, though, some taxpayers and tax lawyers remain puzzled.

The Church of Scientology is, after all, an organization that bugged IRS offices, saw 11 of its members sent to prison and was found to be financing founder L. Ron Hubbard's lifestyle aboard a yacht.

"Either Scientology changed very basically or the IRS changed. Or maybe



Founder L. Ron Hubbard died in 1986.

both," former IRS commissioner Donald Alexander said of the settlement.

"I hope that the IRS did not give in to intimidation," Alexander went on, alluding to the years in the 1970s when his agency battled the church. "By intimidation, I mean 2 o'clock in the morning telephone calls."

To sum up, Alexander said, "I have great reservations, based on the public record and published stories, about this organization's activities and whether this was, is, or remains a money-making cult."

Sheldon Cohen, commissioner when the IRS first revoked a Scientology tax exemption in 1967, is surprised with the reversal, too, though he said IRS officials believe no one is profiting financially.

"They made the case that they are no longer sharing with the Hubbard family, and they are otherwise deserving of the exemption," said Cohen, a tax lawyer in Washington, D.C.

The question of private enrichment — called "inurement" in legal jargon — is at the center of most tax-exemption disputes, lawyers say. In 1984, the U.S. Tax Court ruled that Scientology founder Hubbard was profiting from the Church of Scientology of California, and therefore blocked an exemption for what was then the organization's "mother church."

"It has made a business out of selling religion," the court wrote.

"It has diverted millions of dollars through a bogus trust fund and a sham corporation to key Scientology officials; and it has conspired for almost a decade to defraud the U.S. government by impeding the IRS from determining and collecting taxes from it and affiliated churches."

ST. PETERSBURG TIMES

SUNDAY, OCT. 24, 1993.

"Were we to sustain the petitioner's exemption," the court wrote, "we would in effect be sanctioning petitioner's right to conspire to thwart the IRS at taxpayer's expense."

A lot has happened in the years since.

Hubbard died in 1986. The Scientologists insist they have kicked out the people who were involved in the Church's notorious dirty-tricks operation. In another step toward legitimacy, the church hired former U.S. government tax lawyers who filed extensive responses to IRS inquiries about Scientology's inner workings.

IRS spokesman Frank Keith said that based on the information the Church provided on its organizational and financial structure, the agency was able to determine there were no "issues of inurement" in the Scientology cases.

He said federal privacy laws prohibited him from providing a more detailed explanation of the tax exemption. He would not even say, for example, whether IRS Commissioner Margaret Richardson — an appointee of President Clinton — approved the agreement.

Records in the case indicate John Burke, the IRS' assistant commissioner for employee plans and exempt organizations, invited the latest round of negotiations with the Scientologists in 1991, during the Bush administration. Burke, a career IRS employee, retired last month and could not be reached for comment.

As for Scientology's opinion on why the IRS relented, spokesman Marty Rathbun said his church was "always been legitimate, and nothing's changed."

"The fact of the matter is they put us through more scrutiny than any other tax-exempt organization, including the Poynter Institute, which owns the *St. Petersburg Times*," Rathbun said.

(The Poynter Institute for Media Studies, a school for journalists, is a tax-exempt organization. However, the newspaper pays taxes on its profits and contributes to the institute.)

There is no doubt the Church of Scientology underwent scrutiny. The IRS released nine boxes of material from the case that includes the questions that examiners asked and the lengthy responses from the Church of Scientology.

The documents do not make clear the total amount of money Scientology takes in through its numerous corporate entities. Records from 12 Scientology affiliates, all but one for 1992, list \$275-million in assets.

Among the numerous questions from the IRS were inquiries about the cash flow of the church's affiliates, the compensation the church's top officials received, living expenses of church staff and the organization's checkered past.

For the most part, the church lawyers' written answers were direct. At other times, the responses blasted the government, or proselytized about Scientology.

"It is time to end this shameful IRS involvement in trying to destroy Scientology," the Scientology legal papers said. "Why must the Service follow in the footsteps of the Nazis, who spread black propaganda about the Jews so that the German people would be inured to the massacre of millions?"

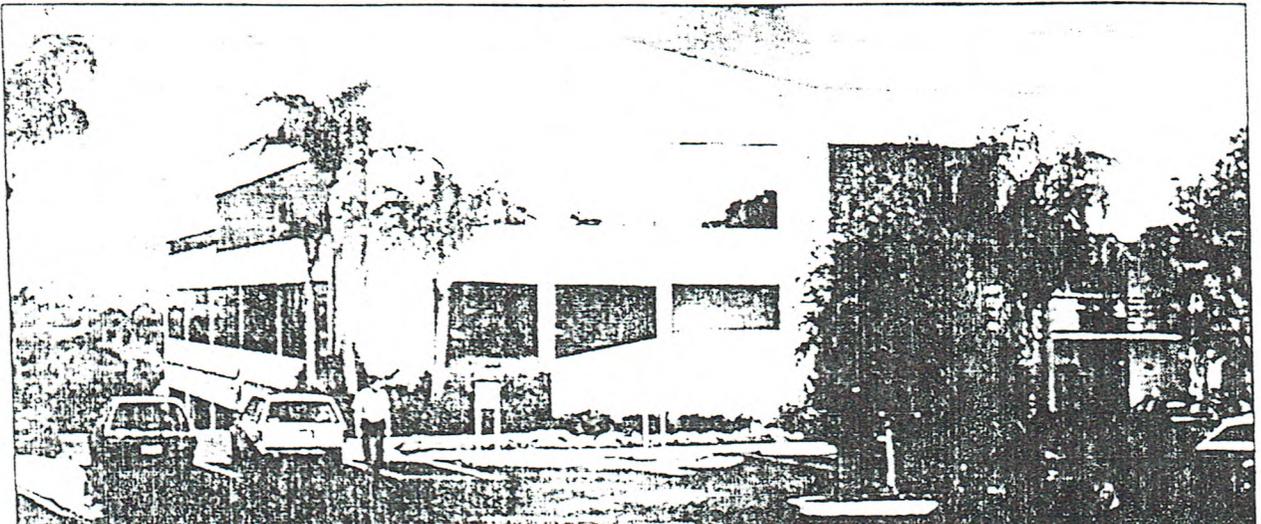
"Many such dogmas have borne the imprimatur of government — the indestructibility of the Roman Empire, the supremacy of the Aryan race, the inevitable triumph of communism over capitalism, the legal segregation of the races," the brief said. "History, however, always has proven otherwise: Rome fell, the Nazis were defeated, communism collapsed and apartheid was unmasked for the evil it is. History is on our side today."

In its filings, Scientology complained the IRS was applying what it called a "double standard" to the self-styled religion. As an example, church lawyers pointed out that the IRS extends a tax exemption to the Catholic Church despite accusations that some Catholic priests have molested children.

The IRS has, however, refused other church's tax-exemption requests. For example, it rejected a request by a group called "Church by Mail," run by two reverends who mailed printed sermons to several million households. The two collected excessive salaries from the advertising agency that printed and mailed their sermons, according to court records.

That was proof of "inurement" and was enough to reject the exemption for the Church by Mail. And the recently released documents show that the IRS was similarly interested in the biggest money-makers in Scientology.

The IRS wanted to know the compensation of the highest-ranking official, David Miscavige, and his family. The Scientology lawyers responded that in 1991, Miscavige was paid \$62,683, his wife made \$94,042 and other family members were paid \$11,082.



Times files

The Church of Scientology Flag Building: The church is spending millions on advertising and renovations of facilities in Clearwater and elsewhere.

It turns out, though, that the highest-paid Scientologists are recruiters and fund-raisers who the lawyers say aren't on the staff of the church. The recruiters and fund-raisers earn a commission of money they collect from new Scientologists and donors, according to the records.

"This practice defrays the cost of proselytization and obtains new members for a church. It extends the influence of the church into society by encouraging individual proselytization," the Scientology lawyers explained.

The biggest 1991 salary: Ken Pirak earned \$407,052 through fund-raising commissions, according to the documents.

If that sounds like a lot of money, the organizations themselves are collecting millions by charging Scientologists for a religious service called "auditing." The process is essentially an ascending series of personal-evaluation sessions that, according to church doctrine, clear a person of bad thoughts. Each step of auditing intensifies and costs more.

Paying for religious services sounds non-traditional, but tax lawyer Cohen reasons that other places of worship have similar setups.

"For example, various denominations charge for seats" in a church, Cohen said. "I've seen (pews) in Episcopal churches with a family name on it: If you're there, you get that seat."

In his own case, Cohen says he receives a bill for dues from his synagogue. His name is on a seat in his synagogue as well.

Nonetheless, the Scientologists seemed sensitive to the question and, in their filings with the IRS, sought to assure that the church didn't charge for absolutely everything.

"The amount of free religious services that Churches of Scientology provide is extensive," the church wrote. Ever ready with numbers, the lawyers provided a statistical study of three church affiliates: "They found that they minister an average of 27 to 33 percent of their religious services without charge."

In their inquiry, IRS examiners learned that the Scientologists are spending \$114-million to archive L. Ron Hubbard's writings and protect them in an underground storage vault. They're spending millions more on advertising and renovations of Scientology facilities in Clearwater and elsewhere.

Cohen, the tax lawyer, noted that spending on such costly vaults is not a big issue in determining a church's tax exemption.

"A church is a church. Some churches have very plain buildings, and a very meager house for their minister, and some have very elaborate buildings. . . . That's a judgment," Cohen said.

As for the underground vaults, he said, "If that makes them feel better, God bless 'em. You start judging that, and you're in the religion business."

Yet another area the IRS probed was the Church of Scientology's troubled past.

The "Guardian Office," set up to harass the government, has been shut down, the Church of Scientology says. "Any individuals who were found at that time to be on staff were dismissed and informed never to apply for re-employment," the Scientology lawyers wrote.

New hires are checked against a list of former Guardian Office criminals, the lawyers wrote.

The Scientologists also have been busy in civil court, in both suing and getting sued, and the IRS was curious about that, too. The Scientology attorneys listed the lawsuits, including those from former members seeking donations, with this explanation: "Our consistent view has been that the civil litigants are solely motivated by greed."

As for the lawsuits it files, the church attorneys wrote, "We have to litigate seriously because we have been subjected to great persecution."

The Scientologists filed as many as 100 lawsuits against the IRS that apparently strained the agency's resources, according to published reports.

One tax lawyer said IRS officials had grouched privately about the time spent on the lawsuits. "It's consumed a fair amount of resources in the exempt organizations (division) over there to deal with them year after year after year," said the lawyer, who declined to be quoted by name. "I can see the motivation on the part of the service to work things out."

Scientology spokesman Rathbun says the lawsuits were all settled as part of the agreement. IRS spokesman Keith would only say that "a variety of outstanding tax and litigation issues" were resolved.

Scientology has \$297-million growth plan

■ A new six-story training and counseling center is planned for Clearwater.

By DAVID DAHL
Times Staff Writer

WASHINGTON — Hoping to expand to "every city on earth," the Church of Scientology plans to spend \$185-million during the next five years to renovate and acquire properties, plus another \$112-million on a campaign to spread its message around the

world.

The Scientologists' spiritual headquarters in Clearwater would get the biggest chunk of construction money over the next few years, the Church of Scientology said in documents filed with the Internal Revenue Service in 1992.

In all, the church told the IRS that it expects to spend \$38.82-million on construction in Clearwater. That includes building a new six-story counseling and training center in downtown Clearwater that the church projects will cost \$24-million, less than earlier

estimates.

The documents do not indicate that the church has any plans to expand beyond its 11 properties in the Pinellas County area. (See related story.)

Elsewhere around the world, the organization plans to spend \$15.5-million on property renovations and acquisitions in the Los Angeles area, which has the largest concentration of Scientologists; \$25.9-million on a complex in Riverside County, Calif., that includes its film production operation;

\$66-million for new church buildings; \$20-million to retire mortgages; and millions more for work on Scientology properties in Australia, Latin America, Africa and Europe.

Among the more novel projects: renovating a 300-year-old, six-story building in the center of Copenhagen that Scientology papers say requires "extensive renovation due to its age."

The costs of spreading the church's religious message include disseminating books and videos featuring the works of Scientology founder L. Ron Hubbard, seminars to attract new members, mass mailings to 100,000 public opinion leaders in the U.S. and special events for "major Scientology holidays."

The organization wants to make sure, for example, that every Scientology church is listed in the local Yellow Pages.

"The Scientology scriptures mandate the rapid expansion and growth of the religion," the church explained to the IRS. "... We have made a determined effort to attract large numbers of new members and to broadly disseminate the teachings of Mr. Hubbard and their workable answers to

The church's bold plans were outlined more than a year ago in documents filed in Washington to persuade the IRS that Scientology was a bona fide religion that deserved tax-exempt status. On Oct. 1, the IRS ended years of dispute by granting the tax-exempt status to 153 Scientology churches, missions and corporations. The tax agency then made public nine boxes of its examiners' questions and Scientology's answers in connection with the tax dispute.

The church's spending plans were outlined in response to an IRS inquiry about the Scientologist's reserve account. Along with continuing to build up its reserves for a rainy day, the church said it has specific plans to spend \$432-million on renovations, property acquisitions and dissemination of Hubbard's works.

"Scientology is a young and rapidly growing religion," with its first church founded in 1954, so it needs to preserve what it has and continue expanding, Scientology told the IRS in June 1992. Scientology says it has 8-million members worldwide, including 5-million in the United States, and branches in 78 countries.

"The purpose of these funds is to guarantee survival of the religion in the event of an external catastrophe such as nuclear fallout, civil war or insurrection, or natural disasters such as earthquake, fire, flood, etc."

It goes on to say that the "church has extensive plans to acquire, construct and renovate church facilities around the world to enable it to meet the increasing demand for Scientology services from parishioners, both old and new."

Individual Scientology churches are not simple buildings, the IRS was told. The churches often provide housing for members of Scientology's elite Sea Org division, a chapel and rooms for courses and films.

Film rooms must be built to specifications detailed in the Scientologists' scriptures to remove "visual distractions that would prevent the student from fully grasping the contents of the film," the IRS was told.

And, as part of a Scientology drug "purification program" for the public and parishioners, all churches "must have their own sauna," the documents say.

More space is needed for auditing, which is the Scientologists' form of evaluation that is supposed to clear parishioners of bad memories. Auditing requires small rooms for one-on-one counseling. Parishioners pay as much as \$800 an hour for auditing.

"The rooms must be sound-proofed, able to be heated or cooled as needed and otherwise free of potential distractions," the Scientology filing said.

A normal-sized Scientology church has 20 to 30 rooms for auditing. At the Church of Scientology's Flag Land Base, as its spiritual headquarters in Clearwater is known, a new building is planned to accommodate at least 1,000 students and provide auditing to 200 people at once.

Scientology literature heavily promotes Clearwater as a destination. One advertisement offers several simple steps to travel — beginning with calling a Scientology consultant, then making a donation to the organization, buying a ticket and arriving at Tampa International Airport.

For months, the Church of Scientology has been raising money for what it described as a \$40-million, six-story building in downtown Clearwater. The building will offer "Super Power," a new form of counseling. However, the church told the IRS that the new building will cost \$24-million.

Clearwater to see changes

By DAVID DAHL
Times Staff Writer

WASHINGTON — Since coming to Clearwater in 1975, the Church of Scientology has grown into a dominating presence in the city and now owns 11 properties in the area.

Clearwater, known as Flag Land Base in Scientology jargon, is considered the international spiritual headquarters of the religion. The church has 750 or so staff members based in Clearwater, and hundreds more come from around the world to take part in Scientology religious services.

Even before the IRS granted tax-exempt status to the church this month, the organization planned considerable renovations to Scientology housing and office space. Scientology spokesman Richard Haworth has said the church has no immediate plans to purchase additional downtown Clearwater properties.

The Church of Scientology estimates it spent \$5.75-million in 1987-88 to renovate its Clearwater-area buildings. As part of

its request for a tax exemption, the church in 1992 told the IRS of its plans to spend \$38-million on renovations and construction in Clearwater.

Here's a look at what the Church of Scientology says it will spend on its Clearwater properties:

- \$24-million to construct a new "Super Power" counseling and training center on Fort Harrison Avenue across the street from the Scientologists' main local property, the Fort Harrison Hotel. Previously, Scientology fund-raisers told potential donors that the building would cost \$40-million.

- \$1.6-million for renovations to provide staff dining and a study in the former Clearwater Bank building at the corner of Cleveland Street and Fort Harrison Avenue in downtown Clearwater. Staff dining is now provided in a soon-to-be-demolished building on the site where the new Super Power building will be constructed, Haworth said.

- \$4.2-million on renovations already under way at the Church of Scientology's Hacienda Gar-

dens property at 551 N Saturn Ave. Haworth says preliminary work was done last year, but the bulk of the planned landscaping and renovations on the property's 19 buildings remains undone. Staff and students are housed on the property.

- \$8-million spent on recently completed renovations of the former Fort Harrison Hotel at 210 S Fort Harrison Ave. Workers built counseling rooms, a lounge for parishioners and additional administrative space, according to Haworth.

- \$450,000 for ongoing renovations to the church's property on Cleveland Street that formerly housed the Heart of Clearwater hotel at 1024 Cleveland St. Haworth says these renovations started about two months ago.

- \$575,000 for renovations of office properties the church owns on N Fort Harrison. Some of the money, Haworth said, has gone toward repainting the exterior of the former West Coast Building at 118 N Fort Harrison Ave. and resurfacing a nearby parking lot.

FRIDAY, OCTOBER 22, 1993

National Repc

The New York Times

Scientologists Report Assets of \$400 Million

By ROBERT D. HERSHEY Jr.

Special to The New York Times

WASHINGTON, Oct. 21 — The Church of Scientology, the secretive and combative international organization that recently won a decades-long drive for Federal tax exemption, counts assets of about \$400 million and appears to take in nearly \$300 million a year from counseling fees, book sales, investments and other sources, according to documents filed with the Internal Revenue Service.

The financial disclosures are in documents the church was required to file with the I.R.S. in applying for tax-exempt status, conferred on 30 or more entities of the church early this month. The documents, 12 linear feet of them in eight cardboard boxes, formed the basis for the I.R.S.'s decision and became a matter of public record when tax exemption was granted.

A review of much of the material this week showed that while the group spends heavily on legal fees, advertising and commissions for fund-raisers — and is spending \$114 million to preserve the writings and tapes of its deceased founder that it calls its scripture — its top officials are paid salaries comparable to those of the leaders of Protestant denominations.

Salary of Top Officials

David Miscavige, who holds the highest ecclesiastical position in Scientology, is listed as being paid \$62,683.50 in 1991. His wife, Michele, was paid \$31,359.25. Although the organization typically pays fund-raisers 10 percent of what they bring in, the Miscaviges did not supplement their pay with commissions, Mark C. Rathbun, president of a major church unit, said in a telephone interview today.

The salaries challenge former members of the group and other critics who assert that Scientology is a sham religion run more as a business for the financial benefit of senior members.

The 8.9-million member United Methodist Church pays its leadership up to \$85,932, plus housing, Methodist officials say. Scientology officials say the church has eight million members, a figure that is disputed by many who have left the church and other critics. They say the church has no more than 700,000 members, and perhaps as few as 50,000.

The filings included three sets of church responses to follow-up queries by the I.R.S., dated April 1991, June 1992 and November 1992. Although the service would not elaborate on what

might have tipped its decision to grant tax exemption, the provision of salary data in the final round may well have been a crucial factor.

When asked whether the I.R.S. verified salary or other figures, Frank Kelth, a spokesman for the agency, would not comment directly. But he called the salary information provided by the church "sufficient" for determining that "there were no issues of inurement that could have prevented" approval of the exemption. Inurement, or private enrichment, is barred under the tax law governing religious and other charitable organizations.

What Religion Is Based On

The files, which include doctrinal material and training manuals as well as financial statements, do not make clear the amount of Scientology's annual income. Revenues compiled for 18 of the 30 entities, including all the major ones, total about \$285 million. But Mr. Rathbun said the actual figure was "not anywhere near that." Mr. Rathbun said he could not provide an estimate of his own.

Mr. Rathbun said that the actual figure appeared larger than it was because the church often transferred money among its units and treated maturing certificates of deposits as revenue, at least temporarily.

According to church officials, Scientology is a religion based on the research of L. Ron Hubbard, a onetime writer of science fiction who died in 1986. His 500,000 pages of writings and thousands of taped lectures are the sole source of doctrine.

Spiritual salvation, the church teaches, can be achieved only by following the scriptural precepts, including participating in "auditing" sessions aimed at shedding painful experiences and to raise spiritual awareness.

Although leaders did not appear to make large salaries, some of them had relatives on the Scientology payroll. For example, Mr. Miscavige's father, stepmother, brother and sister-in-law are all employed by the church. In addition, his mother, two brothers-in-law and two sisters, while not employed by the church, earned commissions from time to time as fund-raisers.

The records showed a half-dozen or more people making hundreds of thousands of dollars a year in commissions in raising money for the church. But Mr. Rathbun said that many of these



William E. Sauro/The New York Times

The Church of Scientology appears to take in nearly \$300 million a year from counseling fees, book sales, investments and other sources according to Internal Revenue Service documents. Visitors to a church center on 82d Street browsed through books in a reception area.

people had to share the compensation with a number of helpers and that they had to pay their own expenses.

The files showed one of the biggest fund-raisers was Barry Klein, who made \$217,694 in 1989, \$201,314 in 1990 and \$176,582 in a third year that was not listed. Mr. Klein is listed as a field staff member and "disseminator." Field staff members are not considered church members and are paid commissions based on donations raised from parishioners. Disseminators, also not considered employees, raise money for the International Association of Scientologists on a full-time or part-time basis, collecting 10 per-

cent of the money they raise.

Another big fund-raiser was K. Pirak, who made \$407,052 in 1991. Steven Grant, working the Clearwater, Fla. area, as a fund-raiser, made \$339,978 in 1991.

Other disclosures in the filings showed that Scientology units spent \$3 million in legal bills during 1987 and 1988, \$7 million on bomb-resistant doors for one of three vaults in which Mr. Hubbard's writings are to be stored and \$8 million for an advertising campaign in USA Today.

The church's 440-foot yacht in the Caribbean, the Freewinds, is valued at \$15.2 million.

Dismissed Suit Sparks Flurry Of Accusations

Scientology v. Critics

By Steven Pressman

Special to the Daily Journal

For years, the Church of Scientology has been synonymous with bitter litigation battles. But the 40-year-old religious organization, long known for its aggressive legal tactics, threw in the towel recently on a federal lawsuit in Los Angeles that it had been waging against two critics.

Besides serving as a legal setback, the action in the case also may hinder Scientology's pursuit of a related libel lawsuit against Time magazine.

The turn of events in the Los Angeles case vividly illustrates the acrimony and nasty accusations that have been a feature of Scientology-related litigation. In this case, lawyers on both sides of the dispute have accused the other of abusing the judicial system while conducting the litigation.

Court documents filed in the case outline numerous allegations of dirty tricks played by Scientology lawyers and operatives that include spying on an opposing law firm, hinting at an attorney's sexual preferences and seeking criminal or State Bar charges against opposing counsel. In response, Scientology attorneys accused the opposing law firm in the case of generating an "abusive and hostile" climate that ultimately forced Scientology to abandon the lawsuit.

The swirl of charges stems from a suit filed in November 1991 by the Church of Scientology International, the Los Angeles-based "mother church" of the Scientology religion founded in the 1950s by science fiction writer L. Ron Hubbard. The lawsuit claimed that former adherent Steven Fishman and his Florida psychiatrist, Uwe Geertz, defamed Scientology in a critical article about the organization that appeared in Time magazine in June 1991. Scientology lawyers have filed a separate \$416 million libel action against Time that is still in the discovery stage in state court in New York.

The dismissed case, *Church of Scientology International v. Fishman*, CV-91-6426, sought at least \$1 million in damages against each of the two defendants for their comments in Time. The complaint in the *Fishman* case alleges that Fishman and Geertz falsely claimed in the Time magazine article that Fishman was ordered by church officials to kill the psychiatrist and then commit suicide in the wake of Fishman's 1988 arrest in a fraudulent financial scam. The complaint also alleges that Fishman, who received a five-year prison term for his role in the fraud, also alleged a Scientology connection to the scam. Scientology officials deny any connection to Fishman's crime, along with the murder and suicide charges.

In their lawsuit against Fishman and Geertz, Scientology lawyers said the group "had enjoyed a good reputation as an organization dedicated to the dissemination and promotion of the Scientology religion." The lawsuit also claimed that the two defendants were "motivated by ill-will and [a] desire to destroy the reli-

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Continued from Page 1

gious activities" of Scientology.

As the Fishman case proceeded to trial, Scientology lawyers successfully fought off six summary judgment motions brought by Graham Berry and Gordon Calhoun, partners at Los Angeles' Lewis, D'Amato, Brisbois & Bisgaard who represented Geertz. (Fishman represented himself in pro per.) But in February, Scientology's lead trial lawyer abruptly filed a motion to dismiss the case with prejudice, which was granted by U.S. District Judge Harry Hupp.

The decision to drop the case prompted Berry and Calhoun to seek sanctions, including the recovery of attorney fees, against Scientology on the grounds of malicious prosecution. But Hupp, in an April 4 ruling, declined to punish Scientology for bringing its original lawsuit. At the same time, Hupp turned down a Scientology bid to impose similar sanctions against the Lewis D'Amato lawyers.

"Basically, I think the judge just wanted to bring an end to this case," said Berry, a New Zealand native and veteran of previous litigation battles against Scientology.

Berry believes Hupp's earlier dismissal of the case against Fishman and Geertz does not bode well for Scientology's pending libel claims against Time magazine, a case in which he is not involved.

Scientology Suit Is Dismissed

"This will cut the heart out of the claim in the Time case," said Berry. He pointed to pretrial testimony in the Los Angeles case indicating that Scientology officials considered the comments by Fishman and Geertz to be among the most damaging in the Time article, a lengthy cover story entitled "Cult of Greed."

But Scientology lawyers say Hupp's action will have no effect on their New York case against Time. Instead, they say they were forced to drop the case against Fishman and Geertz in response to "harassment and abuse" heaped upon Scientology followers whom Berry attempted to depose during pretrial discovery.

In particular, Scientology officials were incensed when Berry arranged for six process servers to deliver deposition subpoenas to several entertainment celebrities during a Christmas party held last December at the Scientology International Celebrity Centre. Four of the celebrities — actresses Juliette Lewis and Kelly Preston Travolta, and musician-singers Isaac Hayes and Maxine Nightingale — are Scientologists whose testimony was sought by Berry to demonstrate that critical media accounts about Scientology did not adversely affect their opinions of Scientology. The fifth celebrity served with a subpoena, actor Charles Durning, is not a Scientologist but appeared at the Christmas party dressed as Santa Claus.

When the celebrities later balked at appearing for their depositions, Berry obtained a federal magistrate's order directing Scientology to make each of the witnesses available for up to two hours of testimony. Rather than require the celebrities to undergo the depositions, however, Scientology lawyers decided to drop the defamation case against Fishman and Geertz.

The Scientology attorneys also objected to a variety of deposition questions put to other witnesses in the case that, they argued, delved improperly into religious beliefs and practices.

Scientology "always has been willing to litigate to achieve justice, but when it is told it must subject its parishioners and anybody associated with it in any way to such blatant harassment and sacrilege, [it] cannot pursue its claims," read part of Scientology's 34-page motion to dismiss its lawsuit. The motion was prepared by Jonathan W. Lubell, a partner at New York's Morrison, Cohen, Singer & Weinstein who is also representing Scientology in the Time case.

Berry interpreted Scientology's decision to drop the case as a major legal defeat for the controversial organization. "Their reason for surrendering is that we made it clear that they never had a case," said Berry. He thinks the dismissal will weaken Scientology's use of litigation as a weapon against its adversaries.

Whatever the result, an even more vitriolic war of words broke out among the lawyers in the case after Hupp dismissed the underlying suit. In a motion seeking sanctions against Berry and Calhoun, Lubell accused the Lewis D'Amato attorneys of exceeding proper bounds in defending against Scientology's lawsuit. Their conduct, wrote Lubell, "was a calculated and relentless resort to false accusations, frivolous arguments, defiance of court rules and orders, and tactics designed not to defend against a claim, but to inflict needless expense and effort" upon Scientology. Lubell also claimed that Berry and Calhoun had litigated the case "with a vindictive purpose" aimed at harming Scientology's reputation.

Hupp, however, hardly seemed convinced by Lubell's arguments. In fact, the judge questioned Scientology's own courthouse reputation during a pretrial hearing last December that occurred before Scientology sought dismissal of its case.

"I want you to treat each other professionally," Hupp told the bickering lawyers at the time, according to a transcript of the hearing. "Now, you know, the church has a bad reputation as a litigant for trying to run up people's costs. And here you're accusing them of doing the same thing to you. I don't want you to use those tactics in this case and I don't want them to use those tactics," said the judge.

Not to be outdone, Berry leveled his own accusations of improper conduct on the part of Scientology lawyers and other officials involved in the lawsuit, all of which have been denied by the Scientologists. "They were accusing me of being a homosexual," Berry said in a March 9 declaration. According to Berry's declaration, a male Scientology official appearing at his earlier deposition "blew me a kiss, threw a doily at me and said I might be needing it that weekend." Berry also claimed that Kendrick Moxon, a lawyer for Scientology, "made further outrageous remarks accusing me of various sexual activities..."

During the case, Berry also accused Moxon's law firm, Bowles & Moxon, of conducting an investigation of both Berry and the Lewis D'Amato firm. Scientology attorneys often hire private investigators to investigate opposing lawyers and litigants. Moxon and Scientology officials describe these operations as normal litigation tactics commonly employed by most lawyers. In the *Fishman* case, however, Judge Hupp instructed Moxon's firm to cease any improper inquiries aimed at Berry's firm.

In one of several declarations he filed in the case, Berry said Moxon complained about videotaping arrangements for one of the depositions in the case. According to Berry, Moxon threatened to bring a complaint before the State Bar and also to seek criminal charges against

Berry on the grounds that portions of the videotaped deposition amounted to illegal electronic eavesdropping. Berry denied any improper conduct during the course of the depositions.

Over the years, the Scientology organization has been accused of waging relentless campaigns, both in and out of courtrooms, against its critics. The accusations often are grounded in words penned years ago by Scientology founder Hubbard at the time he first created the group in his image in the 1950s. Very early on, Hubbard wrote that "the law can be used very easily to harass," and instructed his followers to go on the attack whenever challenged by detractors.

In the 1960s, Hubbard's fierce attitudes toward his enemies resulted in an edict known as the "fair game policy," which said that anyone interfering with Scientology could be "tricked, sued, lied to or destroyed" for their actions. Although Scientology officials say Hubbard quickly rescinded the policy after it was misinterpreted, Scientology critics continue to insist that fair game continues to be practiced.

In 1984, for example, Los Angeles Superior Court Judge Paul Breckinridge Jr. concluded in a decision on a Scientology lawsuit that the group, "with its 'fair game' doctrine, has harassed and abused those persons not in the church whom it perceives as enemies."

Despite its occasional setbacks in court, Scientology won its biggest legal victory last fall when the Internal Revenue Service suddenly dropped its 30-year challenge to Scientology's tax-exempt claim as a bona fide religion. The IRS' decision will allow scores of individual Scientology entities to avoid paying taxes on their incomes, a savings expected to amount to tens of millions of dollars annually.

Emboldened by its victory over the IRS, Scientology is expected by opposing attorneys to continue its aggressive legal battles against critics who view the organization as a dangerous cult and a commercial ripoff. In that sense, it's possible that the dismissal of the *Fishman* case is more an aberration than a trend in Scientology litigation. Indeed, if Scientology's libel lawsuit against Time does proceed to trial, the case will unfold as a critical test of the group's reputation some 40 years after its establishment by Hubbard.

If nothing else, that means opposing lawyers will continue to learn what it's like to go up against an aggressive and determined adversary. "Scientology-related litigation is a great way to develop your litigation skills," says Graham Berry. "It certainly will turn anyone into a hardened litigator overnight."

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SUPERIOR COURT FOR THE STATE OF CALIFORNIA
IN AND FOR THE COUNTY OF LOS ANGELES

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CHURCH OF SCIENTOLOGY
INTERNATIONAL, a California
not-for-profit religious
corporation,
Plaintiff,
v.

No. BC-052395

GERALD ARMSTRONG, THE GERALD
ARMSTRONG CORPORATION, a
California corporation, DOES 1
through 25, inclusive,
Defendants.

**CERTIFIED
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-----/
and related cross actions.
-----/

Transcribed 8/30/94

DEPOSITION OF GERALD ARMSTRONG
Volume VI - Pages 625 through 752
THURSDAY, AUGUST 18, 1994

**RECEIVED
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HUB LAW OFFICES**

REPORTED BY: SUSAN M. LYON, CSR #5829

1 we --

2 A. Well, I may have even --

3 Q. Let me finish.

4 A. -- may have even thought I had it at
5 that point and may even think I have it at this
6 point. But I'm telling you that right now there's
7 no image in my mind as to where it is, so I'm not
8 guaranteeing that come first thing tomorrow it's
9 going to be here. But I will make a good faith
10 effort.

11 Q. Good.

12 A. Thank you.

13 Q. Good. You have previously testified
14 that you began working in Mr. Greene's office in
15 August of 1991; correct?

16 A. August 15th.

17 Q. At the time that you were first
18 employed by Mr. Greene or prior to the time that
19 you first started working for Mr. Greene, did Mr.
20 Greene discuss with you what your duties would be
21 in his office?

22 A. You know, there may have been a
23 discussion of very narrow and very short, you
24 know, magnitude so, a brief conversation, if it
25 indeed existed.

1 Q. What is your best recollection of
2 such a conversation, such a brief conversation?

3 A. It would have gone, you know,
4 something like --

5 MR. GREENE: Well, hold on, Mr.
6 Armstrong, if you have a recollection, give him a
7 recollection, that's what he asked for.

8 If you don't have a recollection,
9 then don't give a reconstruction as though it is a
10 recollection. Make it clear what you're doing,
11 please.

12 THE WITNESS: Okay. Then what I'm
13 giving you is from the circumstances and from --
14 and from my memory.

15 MR. HERTZBERG: Q. Give me that,
16 that's fine.

17 A. Okay. And that is essentially, "I'm
18 working all night. I have to get this document
19 out," or whatever, "filed. Can you" --

20 I don't know if it even got that far,
21 like, "Can you help?"

22 But it was right on -- that was
23 essentially it and there wasn't anything beyond
24 that.

25 Q. Do you recall which document it was

1 that Mr. Greene was working on all night?

2 A. No.

3 Q. Did it involve a case in which any
4 Church of Scientology entity or individual
5 Scientologist was a party?

6 A. I believe so. I believe it was on
7 the Aznoran case, or I'm certain it was on the
8 Aznoran case, but what exactly it was at this
9 juncture, I don't know.

10 Q. And I think the record from the
11 earlier transcripts will be clear, but just so
12 that this transcript is clear, when you refer to
13 the Aznoran case, is that a litigation in which
14 Richard and Vicky Aznoran were plaintiffs in the
15 lawsuit against various Church of Scientology
16 entities?

17 A. Yes.

18 Q. And certain cross claimants or
19 counter-claims were brought by Church of
20 Scientology entities against them?

21 A. Well, I must -- I must state at this
22 juncture that at that juncture I did not
23 necessarily know of that fact, but I have become
24 aware of that fact.

25 Q. All right. And by that fact, you

1 mean the cross-claim or counterclaim?

2 A. Yeah. And that's only, you know,
3 just the fact that one existed because you've
4 asked. It is not like a -- something that I'm
5 intimately knowledgeable of.

6 Q. And do you recall in what way you
7 helped Mr. Greene on that night in which you
8 stayed up all night working on the Aznoran
9 litigation?

10 A. I think that it was photocopying,
11 hole punching, stamping, that sort of thing.

12 Q. Anything more specific or additional
13 come to mind?

14 A. There were some transport functions
15 from either that little block of time that, you
16 know, you're talking about here when I came into
17 the office and began to -- began to work. And
18 that -- that was moving things, moving things
19 around, taking things here and there. So I did
20 that. And that was really it.

21 Q. Did those things that you just
22 referred, taking those things here and there, did
23 that include Aznoran files?

24 A. Well, I think that, you know,
25 without -- without getting into, you know, the

1 Q. That's all that he communicated to
2 you, that Mr. Ingram had been by to talk to him,
3 he didn't say anything more about Mr. Ingram?

4 A. I think that's basically it.

5 Q. Did you say anything about Mr.
6 Ingram?

7 A. I don't know if it went beyond that.

8 Q. You resisted the temptation to
9 identify him as a nefarious church operative?

10 MR. GREENE: Objection, assumes
11 facts.

12 THE WITNESS: I don't know.

13 MR. HERTZBERG: Off the record.

14 (Luncheon recess.)

15 MR. HERTZBERG: Let's go back on the
16 record.

17 Q. Mr. Armstrong, between March of 1993
18 and the present, have you spoken with any
19 reporters from the St. Petersburg Times?

20 A. Yes.

21 Q. And with whom from the St. Petersburg
22 Times?

23 A. My recollection is it's somebody by
24 the name of Garcia. And I don't at this instant
25 recall his first name.

1 Q. Would that be Wayne Garcia?

2 A. Wayne Garcia, yes, it is.

3 Q. And when did you first speak with Mr.
4 Garcia?

5 A. I think my first contact with him was
6 perhaps around the time of the IRS ruling, so I
7 think that's in the fall of '93.

8 Q. And did you call Mr. Garcia or did he
9 call you?

10 A. I believe he called me.

11 Q. Do you remember the gist of your
12 conversation with him?

13 A. He knew who I was, and I believe that
14 he -- my recollection is he was looking for a
15 comment or wondering if I had any insight into the
16 ruling of the IRS. And I don't believe that our
17 conversation was very substantive as to my history
18 or even what he was doing, mainly because I had
19 not a great deal, if any, information about the
20 IRS matter.

21 Q. When you say ruling of the IRS, do
22 you mean any determination by the Internal Revenue
23 Service that certain Church of Scientology
24 entities were entitled to exception under 5013 of
25 the Internal Revenue Code?

1 A. Yes, I think that's how I would say
2 it.

3 Q. What else do you remember about that
4 conversation?

5 A. I have a recollection of him saying
6 that somebody was checking the records in
7 Washington, D.C., and I don't even know in what
8 case or in what records were being checked.

9 And I have a recollection of
10 something to do with the Ponilis (phonetic) County
11 or some local Florida government, and how that
12 might be impacted by the IRS decision, but I don't
13 know exactly what the context was or even what the
14 issues were.

15 Q. Do you recall any other aspect of
16 this conversation that you had with Mr. Garcia?

17 A. I believe he asked for a comment.
18 And my vague recollection of my comment at the
19 time, and the matter was still relatively new and
20 surprising to me, but I recall communicating
21 something about that now really the matter can be
22 resolved in the marketplace of ideas, and that
23 Scientology didn't have their fall back position
24 of we're being victimized by the IRS or the United
25 States government, and that it put them in a

1 position where they really could be dealt with in
2 the marketplace of ideas, and that that was
3 actually where it should be anyway, that the tax
4 ruling was in the marketplace of ideas irrelevant.

5 Q. That's a comment that you made to Mr.
6 Garcia?

7 A. Something about that. I just have a
8 recollection. And that that is what had come to
9 mind at the time, and I had communicated something
10 about when he asked for a comment.

11 Q. You indicated that you were surprised
12 by the IRS ruling, your word surprised.

13 A. Yeah, I think I was surprised.

14 Q. And in what respect were you
15 surprised?

16 A. I think because of the history of the
17 organization and the history of what I knew to be
18 tax court or related decisions regarding the
19 organization and the ones that I had seen and the
20 ones that I recalled and what I knew of the
21 history of the organization, one would not, I
22 would think, come up with the conclusion that
23 after all of this has happened and after these
24 rulings, that there's going to be a decision by
25 the tax court that was, or by the IRS, which was

1 so broad and so apparently contrary to this
2 history and to the earlier rulings.

3 Q. Were you upset when you heard that
4 the Internal Revenue Service had granted a tax
5 exemption to the church?

6 A. No.

7 Q. From what source did you first hear
8 this?

9 MR. GREENE: Mr. Hertzberg, I'm not
10 going to object on the relevancy grounds and I
11 won't just so long as your foray into this area
12 isn't much more extensive than it has been.

13 MR. HERTZBERG: It won't be. In
14 fact, this question and the next, I'm sure, will
15 be something you will have no relevancy problem
16 with.

17 THE WITNESS: I really don't know
18 where it came from. There were possibly a number
19 of telephone calls, and then there was receipt of
20 articles which related to that. One of the
21 earliest people from whom I heard anything was
22 Wayne Garcia.

23 MR. HERTZBERG: Q. After you had
24 received information that the tax exemption had
25 been granted, you called a variety of people to

1 discuss the matter, did you not?

2 A. I remember I called -- well, a number
3 of people called me, but I remember sort of being
4 moved to talk to a number of people.

5 Q. About that subject?

6 A. Yeah. I mean, it was fairly big news
7 for a period of time.

8 Q. And who were those people?

9 A. Oh, boy.

10 MR. GREENE: At this point I'm going
11 to object based on relevancy grounds, based on
12 associational privacy grounds, and instruct the
13 witness not to answer. If you give me a tie in --

14 MR. HERTZBERG: No, because I want to
15 know who he was communicating with on this
16 subject. I'm going to ask him a series of
17 questions about matters which he was not permitted
18 to talk about under the settlement agreement.

19 MR. GREENE: At this point, the
20 objection and the instruction will stand.

21 MR. HERTZBERG: You're not going to
22 permit me to determine who he spoke to on this
23 subject and ask him whether he discussed his
24 previous experiences with the Church of
25 Scientology with those people, is that the

1 instruction?

2 MR. GREENE: The instruction is as it
3 has been stated, Mr. Hertzberg.

4 MR. HERTZBERG: All right. You
5 understand my proffer because that's going to be
6 the basis --

7 MR. GREENE: If you want to, you
8 know, ask Mr. Armstrong to whom he conveyed
9 information falling within the scope of the
10 settlement contract in the fall of '93 or early
11 '94, that's fine. But with respect to the
12 question as phrased, the objections and the
13 instruction will stand.

14 MR. HERTZBERG: I'm not going to ask
15 him the question as suggested by you because
16 clearly what Mr. Armstrong thinks falls within the
17 settlement contract, and what some courts have
18 already spoken to on that subject are divergent,
19 so I can't rely on Mr. Armstrong for that.

20 MR. GREENE: Well, that's your
21 opinion.

22 MR. HERTZBERG: Q. So after your
23 initial conversation with Mr. Garcia, what further
24 conversations did you have with Mr. Garcia?

25 A. I have a recollection of us speaking

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I, SUSAN M. LYON, a Certified Shorthand Reporter of the State of California, hereby certify that the witness in the foregoing deposition was by me duly sworn to testify to the truth, the whole truth, and nothing but the truth in the within-entitled cause; that said deposition as taken at the time and place therein stated; that the testimony of said witness was reported by me, a Certified Shorthand Reporter and disinterested person, and was thereafter transcribed under my direction into typewriting; that the foregoing is a full, complete and true record of said testimony; and that the witness was given an opportunity to read and, if necessary, correct said deposition and to subscribe the same.

I further certify that I am not of counsel or attorney for either or any of the parties in the foregoing deposition and caption named, nor in any way interested in the outcome of the cause named in said action.

IN WITNESS WHEREOF, I have hereunder set my hand and affixed my signature this 30th day of August, 1994.

SUSAN M. LYON

IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA
IN AND FOR THE COUNTY OF LOS ANGELES

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CHURCH OF SCIENTOLOGY)
INTERNATIONAL, a California)
Not-For-Profit Religious)
Corporation,)
)
Plaintiff,)
)
vs.)
)
GERALD ARMSTRONG, THE GERALD)
ARMSTRONG CORPORATION, a)
California Corporation, Does 1-25,)
inclusive,)
)
Defendants.)

Case No. BC-052395

**CERTIFIED
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Reporter's Transcript of Oral Deposition

GERALD ARMSTRONG

Friday, August 19, 1994

VOLUME VII

Pages 793 through 945

*Transcribed
shelby*

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HUB LAW OFFICES

Reported By: Rosalie E. Stefani
CSR No. 3215

1 United States, and he called me in the hope of getting
2 together and visiting with me.

3 Q. And I take it from your construction of
4 that last response that he hoped in vain?

5 A. Right.

6 Q. Did you discuss any aspects of his case on
7 that occasion?

8 A. I have a recollection of discussing the
9 time of his case, and that is -- when I say that I'm
10 talking about the -- the timetable when his trial might be
11 set for, that sort of thing.

12 Q. Do you recall any other aspect of that
13 conversation?

14 A. No.

15 Q. Mr. Armstrong, you referred earlier to an
16 organization by the acronym of FACT, F-A-C-T?

17 A. Yes.

18 Q. Did you have any role in the organization
19 of that entity?

20 A. I was an incorporator, I believe, and
21 became the president of FACT.

22 Q. When did you first become involved in any
23 fashion with the formation or existence of FACT?

24 A. I think it was very close to the time of
25 incorporation, and that was in perhaps June or July of

1 1993.

2 Q. And what were the circumstances of your
3 involvement?

4 A. Mr. Wollerschiem approached me about
5 participating in the form that I did or about
6 participating in other forms, and I advised him to what
7 degree I felt I could participate. And, as a result of
8 that, he -- he put me on as the president and had sent me
9 some of the incorporating documents and related documents
10 to sign as an incorporator or director.

11 Q. When you say "Wollershiem,"
12 Mr. Wollersheim, you're referring to Lawrence Wollersheim?

13 A. Yes. Yes.

14 Q. Did he initiate this dialogue with you by
15 telephone or in person?

16 A. I believe by telephone.

17 Q. Did you have any meetings face to face in
18 addition to telephone conversations with respect to this
19 subject?

20 A. I don't recall if there were any specific
21 -- if there were any meetings like that face to face at
22 that time. I don't think there were.

23 Q. In these initials conversations with
24 Mr. Wollersheim what was the gist of any discussion about
25 the purpose of FACT?

1 MR. GREENE: With respect to that I -- I'm
2 going to interpose a privacy objection and instruct the
3 witness not to answer.

4 MR. HERTZBERG: What privacy objection?

5 MR. GREENE: Privacy with respect to FACT
6 and also an associational privacy interest as to
7 Armstrong.

8 MR. HERTZBERG: I'd like you to reconsider
9 in light of the fact that there are allegations in this
10 complaint that -- let me finish.

11 MR. GREENE: I haven't interrupted you yet.

12 MR. HERTZBERG: -- that there are
13 allegations in this complaint which relate directly to the
14 purpose of FACT and the participation of Mr. Armstrong in
15 FACT and the claims of violations of the settlement
16 agreement, which is the subject of this action.

17 MR. GREENE: Yes, I'm aware of that, and I
18 understand your position. And the ultimate resolution
19 would be the consequence of the balancing of the
20 interests, one against the other.

21 I will allow Mr. Armstrong to respond to
22 questions that are posed in terms of what his
23 understanding was. And I think you can get what you want
24 that way, but anything that's going to go into making
25 inquiries about discussions between him and Wollershiem

1 with respect to the purpose of FACT, et cetera, I won't
2 allow him to answer those.

3 MR. HERTZBERG:

4 Q. Without conceding that we're not entitled
5 to get an answer to the question as posed and objected to,
6 I will ask as a follow-up question using the formulation
7 that your counsel just gave -- what was your
8 understanding, Mr. Armstrong?

9 A. It was to -- the purpose was to create an
10 electronic means of assisting the battle against harmful
11 mind control in its various forms and through its various
12 arms, one of which -- and undeniably a major one in my
13 life -- was Scientology.

14 Q. And the battle, as you put it, against mind
15 control involved persons including involvement of persons
16 who were engaged in litigation with various church
17 entities, Church of Scientology entities?

18 A. The battle against mind control of that
19 nature is waged in virtually every forum.

20 Q. And that includes the courts?

21 A. But the -- but the FACTS part was the
22 electronic aspect of it. FACT was not a litigation answer
23 to Scientology. That's what lawyers do. This is the
24 electronic backup to that particular war.

25 Q. Okay, insofar as you refer to an electronic

1 backup, you're referring to the furnishing of data and
2 information, correct?

3 A. The gathering, the computerizing, the
4 coordination, the distribution, all of the things which
5 can be done with an electronic, computerized database and
6 means of accessing and researching in the middle of that.

7 Q. And, insofar as that database and
8 accessibility to those facts were going to be created by
9 FACT, you understood that one of the ways that that
10 information would be utilized would be by persons engaged
11 in litigation with various Church of Scientology entities
12 who are beneficiaries of the settlement agreement, exhibit
13 six in this case, correct?

14 MR. GREENE: Object. Boy, it's compound.
15 In part it calls for a legal conclusion. You can answer
16 the question if you understand it.

17 MR. HERTZBERG: Go ahead.

18 THE WITNESS: Although I did not consider
19 that specifically or gave it very little thought, I did
20 not eliminate any use in any forum from what could result
21 from the creation of an entity such as I understood FACT
22 might be.

23 MR. HERTZBERG:

24 Q. Did you discuss with Mr. Wollersheim
25 whether the information that would be assembled for the

1 FACT database would be made available to any specific
2 persons or category of persons?

3 MR. GREENE: Same objection as before,
4 privacy and associational, first amendment privacy and
5 instruct you not to answer.

6 MR. HERTZBERG: I'll use, then, the
7 construction that your client allowed before.

8 Q. What was your understanding in that regard?

9 MR. GREENE: With all due respect, I am the
10 lawyer.

11 MR. HERTZBERG: I'm sorry. What did I say?

12 MR. GREENE: Client.

13 MR. HERTZBERG: Your counsel.

14 THE WITNESS: Client-slash-counsel. He did
15 instruct me not to answer, so I'm kind of --

16 MR. HERTZBERG: No, I asked a new question.

17 THE WITNESS: Oh. So then the question
18 was --

19 MR. HERTZBERG:

20 Q. What was your understanding with respect to
21 whether that database information would be made available
22 to a specific person or group of persons

23 A. No, I did not have an understanding from
24 someone else, but I -- I do have an understanding of -- of
25 the possibility of dividing the potential recipients or

1 users of that service down into separate groups,
2 classifiable groups.

3 Q. Would those groups include lawyers who were
4 engaged in litigation with various Church of Scientology
5 entities?

6 A. That is a describable group, and I would
7 not eliminate them from the greater body of potential
8 users.

9 Q. Are you not familiar with written
10 statements -- written statement or statements by FACT
11 asserting that one of the purposes of the database was to
12 make information -- certain information about the Church
13 of Scientology available to persons engaged in litigation
14 with Church of Scientology entities?

15 A. Although I don't have a specific
16 recollection of that language, I have seen it stated that
17 way and a number of ways.

18 Q. By FACT?

19 MR. GREENE: Objection, calls for
20 speculation and vague and ambiguous.

21 MR. HERTZBERG: Go ahead.

22 THE WITNESS: Well, my best recollection is
23 what has been stated in the Scientology organization's
24 pleadings in the various litigations.

25 MR. HERTZBERG: I'm not interested in that.

1 THE WITNESS: I know you are not interested
2 in that, but that's what comes to mind.

3 MR. HERTZBERG: Let me ask the question.

4 THE WITNESS: Since I've seen that I have
5 not gone back and checked whatever it was that's being
6 referred to in the FACT documents to see whether or not
7 that allegation was true but, again, I have no reason to
8 doubt that it was included in FACT'S papers. And I,
9 myself, would not do anything to limit FACT accessibility
10 to that group of individuals or people.

11 MR. HERTZBERG:

12 Q. Mr. Armstrong, did there come a time when
13 you personally furnished data to FACT for inclusion in
14 their database?

15 A. Yes.

16 Q. All right, when did you begin to do that?

17 A. I would say sometime in the fall of -- fall
18 of 1993.

19 Q. And what was the procedure that you
20 followed wherein you were able to accomplish that
21 objective?

22 A. I forwarded certain of my declarations.

23 Q. To whom?

24 A. I believe those went to FACTNET, and I
25 don't -- I don't recall to which FACTNET address they went

1 at that time, but they -- they did go to one of the
2 FACTNET addresses.

3 Q. You have just referred to a "FACTNET." Is
4 there a difference between FACT and FACTNET?

5 A. No, actually, --

6 MR. GREENE: Hold on just a second. To
7 whatever extent the question -- the response would call --
8 for a legal conclusion, I object. Go ahead and answer it.

9 THE WITNESS: Okay. It is called,
10 actually, by both names. And, originally, it was known to
11 me as FACT, and it sort of grew up as FACT in my mind. I
12 think that it has grown to become known as FACTNET, and I
13 think that that is also -- also, it's more or less an
14 official name. It may be FACTNET, I think, but, in any
15 case, FACT or FACTNET, I'm referring to the same entity
16 although it went through a transformation through time.

17 MR. HERTZBERG:

18 Q. Did you mail the documents that you have
19 referred to or did you have them delivered in some other
20 fashion?

21 A. I believe that they were mailed.

22 Q. By yourself?

23 A. My recollection is, yes.

24 Q. Do you know whether they were addressed to
25 a particular person?

1 A. I'm not certain if they just went to the
2 FACT address, and I'm not sure what that even was at the
3 time, but I may be able to discern that as well.

4 Q. By reviewing records?

5 A. I may be able to tell through some record.
6 I'm just not certain if a coverletter was made or kept of
7 that material.

8 MR. HERTZBERG: Mr. Greene, would you
9 search for that coverletter and, if it exists, produce it?

10 MR. GREENE: Yes, absolutely.

11 MR. HERTZBERG:

12 Q. Okay. Mr. Armstrong, what declarations did
13 you include in this mailing?

14 A. I can't identify them all right now, but it
15 included those that I had easily accessible at that time,
16 my statements through the litigation.

17 Q. Did it include any declarations that had
18 not been previously filed in court?

19 A. I don't believe so.

20 Q. Other than declarations what other
21 documents did you mail or otherwise deliver to FACT?

22 A. I don't know if there were -- there was a
23 group of materials relating to Gene Ingram.

24 Q. What materials were those?

25 A. There was --

1 Q. I'm sorry, go ahead.

2 A. Those were all documents that I had -- I
3 had put together relating to Ingram.

4 Q. Consisting of what kinds of documents?

5 A. Documents relating to the \$2,000,000 check
6 deal, Michael Flynn, documents relating to his history in
7 the LAPD, documents relating -- yeah, those were the main
8 areas. It mainly concerned the Flynn -- the Flynn
9 frame-up story.

10 Q. Any other documents relating to Ingram?

11 A. Oh, there were -- there were documents
12 relating to the Armstrong videotape operation, the
13 Armstrong operation, so although that involved the Flynn
14 operation, the Ta-Mi-Mi (phonetic) operation -- the
15 Ta-Mi-Mi operation, I think, in my mind there's a
16 separation of them.

17 Q. When you refer to the Armstrong videotape
18 operation are you referring to the discussion in which you
19 were -- among other things said "just alleged," is that
20 the one?

21 A. No, I think you -- I think you have got it
22 -- you have got it mixed up with something that you have
23 just alleged, but --

24 Q. Well, what?

25 A. But you're thinking --

1 Q. Those words are not uttered by you on the
2 videotape?

3 MR. GREENE: Hold it. Hold it.
4 Mr. Armstrong, will you please slow down for a minute.

5 I will object to that particular question and
6 instruct the witness not to answer it unless he actually
7 reviews the videotape -- has an opportunity to review it
8 before answering the question.

9 MR. HERTZBERG:

10 Q. Mr. Armstrong, other than the declarations
11 that you have referred to and the materials originally
12 identified as the Ingram operation, which you have
13 testified to, what other documents did you submit to FACT?

14 A. I sent FACT a copy of my letter to Lubell.
15 I sent FACT a resignation letter, and I think that's all.

16 Q. And which, in the resignation letter, you
17 resigned from FACT?

18 A. Right.

19 Q. We'll get to that in a moment, but can you
20 state with certainty or near certainty that you have just
21 described the entirety of the documents that you submitted
22 to FACT?

23 A. There may have been other documents, but I
24 have no present recollection of them and, if there were,
25 they -- my present recollection is that they were minimal

1 if indeed there were any at all. Those are the ones which
2 I recall and have some significance to me.

3 Q. Did you send any videotapes to FACT?

4 A. I don't believe so.

5 Q. To whom did you address the resignation
6 letter?

7 A. To -- I think it's addressed to Lawrence
8 Wollershiem at FACT, but I don't -- I don't have an image
9 of it right now.

10 Q. Do you remember the substance of that
11 letter?

12 A. Yes.

13 Q. What is it, please?

14 A. That -- that -- so as to not put anyone at
15 risk, I was at that point resigning as a director and as
16 the president of FACT at that moment.

17 Q. Is that the entire substance of the letter?

18 A. I think, other than wishing -- wishing
19 Wollersheim and FACT success in their work, which I may
20 have said something about, I don't think there was
21 anything more than that.

22 Q. Do you have a copy of that letter?

23 A. I'm pretty sure I do.

24 Q. Could you look for it and produce it if you
25 do, please?

1 A. Sure. I'm pretty sure that it's already
2 been produced in one or another context. I'm pretty sure
3 it has been.

4 Q. I haven't seen it in this case, and I
5 haven't seen it anywhere else, and we need it produced.

6 A. All right.

7 Q. All right?

8 A. Okay. I'm pretty sure --

9 Q. You used the phrase "safety -- for the
10 welfare or safety of others." What did you mean by that
11 in the letter?

12 A. This referred to the -- really, it was in
13 response to Scientology's threat delivered to entities
14 that, as I understand it, Scientology considered were
15 supporters or participants with FACT in some way. And
16 Scientology's letter made the claim that -- that the
17 indicated people or groups might be -- it uses a word like
18 "conspiring" but, in any case, might be in violation of
19 the Sohigian injunction if they -- if they were assisted
20 by me.

21 So in order to eliminate any possibility,
22 although that can never been eliminated given the entity
23 involved but, in any case, certainly to reduce the
24 possibility of litigation flowing from Scientology as a
25 result of my being a -- the titular president of FACT, --

1 Q. Yes?

2 A. -- that my resignation was appropriate for
3 that reason.

4 Q. You testified earlier that you had a
5 discussion with Mr. Wollersheim about what you could or
6 could not do in terms of participating in FACT activities;
7 do you recall that --

8 A. Right.

9 Q. -- testimony? What exactly did you mean by
10 that when you said "could or could not do" --

11 MR. GREENE: Wait. With respect to that I
12 will instruct the witness not to answer based on the
13 privacy and first amendment associational objections I
14 previously made.

15 MR. HERTZBERG: Well, I don't understand
16 that objection at all, Mr. Greene. First of all, he's
17 already identified who he spoke to about that, so there's
18 -- disclosure of the identity of the individual is not an
19 issue here.

20 MR. GREENE: What is at issue is the
21 content, and I simply won't allow the question.

22 MR. HERTZBERG: It has to do with
23 Mr. Armstrong's state of mind about the settlement
24 agreement, which is a primary issue in this case. And
25 I'll narrow it by asking him what he said. He doesn't

1 have to tell me what Mr. Wollershiem said, because I'm not
2 interested in what Mr. Wollersheim said.

3 MR. GREENE: I'm simply not going to allow
4 him to go into the substance of discussions between him
5 and Mr. Wollersheim.

6 MR. HERTZBERG: As far as it includes and
7 apparently exclusively addresses Mr. Armstrong's
8 interpretation of the settlement agreement?

9 MR. GREENE: My objection stands.

10 MR. HERTZBERG: I'm going to take one
11 minute to go to the men's room.

12 MR. GREENE: I need 18 back.

13 (Recess taken)

14 MR. HERTZBERG: Back on the record.

15 Q. In view of the instruction that Mr. Greene
16 gave to his client on the last question I will not pursue
17 any further questions about FACTNET at this time and
18 instead direct your attention to exhibit 18 once more,
19 Mr. Armstrong.

20 Do you see the reference on page six, Arabic
21 number two, settle with Ed Roberts?

22 A. Right.

23 Q. And that is -- follows the phrase "here is
24 my proposal," colon, right above that?

25 A. Right.

REPORTER'S CERTIFICATE

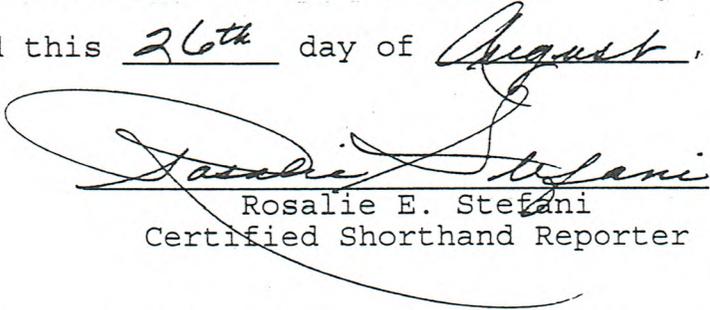
I, ROSALIE E. STEFANI, a certified shorthand reporter licensed in the State of California do hereby certify that:

the deponent, GERALD ARMSTRONG, was administered an oath to tell the truth in the above-entitled matter prior to the commencement of said deposition;

the transcription contained herein, pages 793 through 945, inclusive, represent a complete and accurate stenographic record of the sworn testimony given by said witness;

I am not of counsel nor attorney for either or any of the parties in the above-named cause or in any way interested in the outcome of said action.

Dated this 26th day of August, 1994


Rosalie E. Stefani
Certified Shorthand Reporter

1. The deponent appeared () did not appear () to review the transcript.
2. The deponent signed () did not sign () refused to sign () for the following reason:
3. By enclosed letter, the deponent made certain corrections and/or changes to the deposition ().

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FILED
JUN 22 1984
John L. Corcoran,
Rosie M. Hart
BY ROSIE M. HART, DEPUTY

SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF LOS ANGELES

| | | |
|--------------------------------------|---|-------------------|
| CHURCH OF SCIENTOLOGY OF CALIFORNIA, |) | No. C 420153 |
| |) | |
| Plaintiff, |) | MEMORANDUM OF |
| |) | INTENDED DECISION |
| vs. |) | |
| |) | |
| GERALD ARMSTRONG, |) | |
| |) | |
| Defendant. |) | |
| <hr/> | | |
| MARY SUE HUBBARD, |) | |
| |) | |
| Intervenor. |) | |
| <hr/> | | |

In this matter heretofore taken under submission, the Court announces its intended decision as follows:

As to the tort causes of action, plaintiff, and plaintiff in intervention are to take nothing, and defendant is entitled to Judgment and costs.

As to the equitable actions, the court finds that neither plaintiff has clean hands, and that at least as of this time, are not entitled to the immediate return of any document or objects presently retained by the court clerk. All exhibits

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1 received in evidence or marked for identification, unless
2 specifically ordered sealed¹, are matters of public record and
3 shall be available for public inspection or use to the same
4 extent that any such exhibit would be available in any other
5 lawsuit. In other words they are to be treated henceforth no
6 differently than similar exhibits in other cases in Superior
7 Court. Furthermore, the "inventory list and description," of
8 materials turned over by Armstrong's attorneys to the court,
9 shall not be considered or deemed to be confidential, private,
10 or under seal.

11 All other documents or objects presently in the possession
12 of the clerk (not marked herein as court exhibits) shall be
13 retained by the clerk, subject to the same orders as are
14 presently in effect as to sealing and inspection, until such
15 time as trial court proceedings are concluded as to the severed
16 cross complaint. For the purposes of this Judgment, conclusion
17 will occur when any motion for a new trial has been denied, or
18 the time within such a motion must be brought has expired
19 without such a motion being made. At that time, all documents
20 neither received in evidence, nor marked for identification
21 only, shall be released by the clerk to plaintiff's
22 representatives. Notwithstanding this order, the parties may
23
24

25 1. Exhibits in evidence No. 500-40; JJJ; KKK; LLL; MMM;
26 NNN; OOO; PPP; QQQ; RRR; and 500-QQQQ.

27 Exhibits for identification only No. JJJJ; Series
28 500-DDDD, EEEE, FFFF, GGGG, HHHH, IIII, NNNN-1, OOOO, ZZZZ,
CCCCC, GGGGG, IIIII, KKKKK, LLLLL, OOOOO, PPPPP, QQQQQ, BBBBEE,
OOOOOO, BBBBEE.

1 at any time by written stipulation filed with the clerk obtain
2 release of any or all such unused materials.

3 Defendant and his counsel are free to speak or communicate
4 upon any of Defendant Armstrong's recollections of his life as
5 a Scientologist or the contents of any exhibit received in
6 evidence or marked for identification and not specifically
7 ordered sealed. As to all documents, and other materials held
8 under seal by the clerk, counsel and the defendant shall remain
9 subject to the same injunctions as presently exist, at least
10 until the conclusion of the proceedings on the cross complaint.
11 However, in any other legal proceedings in which defense
12 counsel, or any of them, is of record, such counsel shall have
13 the right to discuss exhibits under seal, or their contents, if
14 such is reasonably necessary and incidental to the proper
15 representation of his or her client.

16 Further, if any court of competent jurisdiction orders
17 defendant or his attorney to testify concerning the fact of any
18 such exhibit, document, object, or its contents, such testimony
19 shall be given, and no violation of this order will occur.
20 Likewise, defendant and his counsel may discuss the contents of
21 any documents under seal or of any matters as to which this
22 court has found to be privileged as between the parties hereto,
23 with any duly constituted Governmental Law Enforcement Agency
24 or submit any exhibits or declarations thereto concerning such
25 document or materials, without violating any order of this
26 court.

27 ///

28 ///

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1 This court will retain jurisdiction to enforce, modify,
2 alter, or terminate any injunction included within the
3 Judgment.

4 Counsel for defendant is ordered to prepare, serve, and
5 file a Judgment on the Complaint and Complaint in Intervention,
6 and Statement of Decision if timely and properly requested,
7 consistent with the court's intended decision.

8
9 Discussion

10 The court has found the facts essentially as set forth in
11 defendant's trial brief, which as modified, is attached as an
12 appendix to this memorandum. In addition the court finds that
13 while working for L.R. Hubbard (hereinafter referred to as
14 LRH), the defendant also had an informal employer-employee
15 relationship with plaintiff Church, but had permission and
16 authority from plaintiffs and LRH to provide Omar Garrison with
17 every document or object that was made available to Mr. ~~-----~~
18 Garrison, and further, had permission from Omar Garrison to
19 take and deliver to his attorneys the documents and materials
20 which were subsequently delivered to them and thenceforth into
21 the custody of the County Clerk.

22 Plaintiff Church has made out a prima facie case of
23 conversion (as bailee of the materials), breach of fiduciary
24 duty, and breach of confidence (as the former employer who
25 provided confidential materials to its then employee for
26 certain specific purposes, which the employee later used for
27 other purposes to plaintiff's detriment). Plaintiff Mary Jane
28 Hubbard has likewise made out a prima facie case of conversion

1 and invasion privacy (misuse by a person of private matters
2 entrusted to him for certain specific purposes only).

3 While defendant has asserted various theories of defense,
4 the basic thrust of his testimony is that he did what he did,
5 because he believed that his life, physical and mental well
6 being, as well as that of his wife were threatened because the
7 organization was aware of what he knew about the life of LRH,
8 the secret machinations and financial activities of the Church,
9 and his dedication to the truth. He believed that the only way
10 he could defend himself, physically as well as from harassing
11 lawsuits, was to take from Omar Garrison those materials which
12 would support and corroborate everything that he had been
13 saying within the Church about LRH and the Church, or refute
14 the allegations made against him in the April 22 Suppressive
15 Person Declare. He believed that the only way he could be sure
16 that the documents would remain secure for his future use was
17 to send them to his attorneys, and that to protect himself, he
18 had to go public so as to minimize the risk that LRH, the
19 Church, or any of their agents would do him physical harm.

20 This conduct if reasonably believed in by defendant and
21 engaged in by him in good faith, finds support as a defense to
22 the plaintiff's charges in the Restatements of Agency, Torts,
23 and case law.

24 Restatement of Agency, Second, provides:

25 "Section 395f: An agent is privileged to reveal
26 information confidentially acquired by him in the course
27 of his agency in the protection of a superior interest of
28 himself or a third person.

1 "Section 418: An agent is privileged to protect
2 interests of his own which are superior to those of the
3 principal, even though he does so at the expense of the
4 principal's interest or in disobedience to his orders."

5 Restatement of torts, Second, section 271:

6 "One is privileged to commit an act which would
7 otherwise be a trespass to or a conversion of a chattel in
8 the possession of another, for the purpose of defending
9 himself or a third person against the other, under the
10 same conditions which would afford a privilege to inflict
11 harmful or offensive contact upon the other for the same
12 purpose."

13 The Restatement of Torts, Second, section 652a, as well as
14 case law, make it clear that not all invasions of privacy are
15 unlawful or tortious. It is only when the invasion is
16 unreasonable that it becomes actionable. Hence, the trier of
17 fact must engage in a balancing test, weighing the nature and
18 extent of the invasion, as against the purported justification
19 therefore to determine whether in a given case, the particular
20 invasion or intrusion was unreasonable.

21 In addition the defendant has asserted as a defense the
22 principal involved in the case of Willig v. Gold, 75
23 Cal.App.2d, 809, 814, which holds that an agent has a right or
24 privilege to disclose his principal's dishonest acts to the
25 party prejudicially affected by them.

26 Plaintiff Church has asserted and obviously has certain
27 rights arising out of the First Amendment. Thus, the court
28 cannot, and has not, inquired into or attempted to evaluate the

1 merits, accuracy, or truthfulness of Scientology or any of its
2 precepts as a religion. First Amendment rights, however,
3 cannot be utilized by the Church or its members, as a sword to
4 preclude the defendant, whom the Church is suing, from
5 defending himself. Therefore, the actual practices of the
6 Church or its members, as it relates to the reasonableness of
7 the defendant's conduct and his state of mind are relevant,
8 admissible, and have been considered by the court.

9 As indicated by its factual findings, the court finds the
10 testimony of Gerald and Jocelyn Armstrong, Laurel Sullivan,
11 Nancy Dincalcis, Edward Walters, Omar Garrison, Kima Douglas,
12 and Howard Schomer to be credible, extremely persuasive, and
13 the defense of privilege or justification established and
14 corroborated by this evidence. Obviously, there are some
15 discrepancies or variations in recollections, but these are the
16 normal problems which arise from lapse of time, or from
17 different people viewing matters or events from different
18 perspectives. In all critical and important matters, their
19 testimony was precise, accurate, and rang true. The picture
20 painted by these former dedicated Scientologists, all of whom
21 were intimately involved with LRH, or Mary Jane Hubbard, or of
22 the Scientology Organization, is on the one hand pathetic, and
23 on the other, outrageous. Each of these persons literally gave
24 years of his or her respective life in support of a man, LRH,
25 and his ideas. Each has manifested a waste and loss or
26 frustration which is incapable of description. Each has broken
27 with the movement for a variety of reasons, but at the same
28 time, each is, still bound by the knowledge that the Church has

1 in its posse. On his or her most inner thoughts and
2 confessions, all recorded in "pre-clear (P.C.) folders" or
3 other security files of the organization, and that the Church
4 or its minions is fully capable of intimidation or other
5 physical or psychological abuse if it suits their ends. The
6 record is replete with evidence of such abuse.

7 In 1970 a police agency of the French Government conducted
8 an investigation into Scientology and concluded, "this sect,
9 under the pretext of 'freeing humans' is nothing in reality but
10 a vast enterprise to extract the maximum amount of money from
11 its adepts by (use of) pseudo-scientific theories, by (use of)
12 'auditions' and 'stage settings' (lit. to create a theatrical
13 scene') pushed to extremes (a machine to detect lies, its own
14 particular phraseology . . .), to estrange adepts from their
15 families and to exercise a kind of blackmail against persons
16 who do not wish to continue with this sect."² From the
17 evidence presented to this court in 1984, at the very least,
18 similar conclusions can be drawn. In addition to violating and
19 abusing its own members civil rights, the organization over the
20 years with its "Fair Game" doctrine has harassed and abused
21 those persons not in the Church whom it perceives as enemies.
22 The organization clearly is schizophrenic and paranoid, and
23 this bizarre combination seems to be a reflection of its
24 founder LRH. The evidence portrays a man who has been
25 virtually a pathological liar when it comes to his history,
26
27

28 2. Exhibit 500-BHHHH.

1 background, . . . achievements. The writ. gs and documents in
2 evidence additionally reflect his egoism, greed, avarice, lust
3 for power, and vindictiveness and aggressiveness against
4 persons perceived by him to be disloyal or hostile. At the
5 same time it appears that he is charismatic and highly capable
6 of motivating, organizing, controlling, manipulating, and
7 inspiring his adherents. He has been referred to during the
8 trial as a "genius," a "revered person," a man who was "viewed
9 by his followers in awe." Obviously, he is and has been a very
10 complex person, and that complexity is further reflected in his
11 alter ego, the Church of Scientology. Notwithstanding
12 protestations to the contrary, this court is satisfied that LRH
13 runs the Church in all ways through the Sea Organization, his
14 role of Commodore, and the Commodore's Messengers.³ He has, of
15 course, chosen to go into "seclusion," but he maintains contact
16 and control through the top messengers. Seclusion has its
17 light and dark side too. It adds to his mystique, and yet
18 shields him from accountability and subpoena or service of
19 summons.

20 LRH's wife, Mary Sue Hubbard is also a plaintiff herein.
21 On the one hand she certainly appeared to be a pathetic
22 individual. She was forced from her post as Controller,
23 convicted and imprisoned as a felon, and deserted by her
24 husband. On the other hand her credibility leaves much to be
25 desired. She struck the familiar pose of not seeing, hearing,
26

27 3. See Exhibit K: Flag Order 3729 - 15 September 1978
28 "Commodore's Messengers."

1 or knowing a evil. Yet she was the head of the Guardian
2 Office for years and among other things, authored the infamous
3 order "GO 121669"⁴ which directed culling of supposedly
4 confidential P.C. files/folders for purposes of internal
5 security. In her testimony she expressed the feeling that
6 defendant by delivering the documents, writings, letters to his
7 attorneys, subjected her to mental rape. The evidence is clear
8 and the court finds that defendant and Omar Garrison had
9 permission to utilize these documents for the purpose of
10 Garrison's proposed biography. The only other persons who were
11 shown any of the documents were defendant's attorneys, the
12 Douglasses, the Dincalcis, and apparently some documents
13 specifically affecting LRH's son "Nibs," were shown to "Nibs."
14 The Douglasses and Dincalcises were disaffected Scientologists
15 who had a concern for their own safety and mental security, and
16 were much in the same situation as defendant. They had not
17 been declared as suppressive, but Scientology had their P.C.
18 folders, as well as other confessions, and they were extremely
19 apprehensive. They did not see very many of the documents, and
20 it is not entirely clear which they saw. At any rate Mary Sue
21 Hubbard did not appear to be so much distressed by this fact,
22 as by the fact that Armstrong had given the documents to
23 Michael Flynn, whom the Church considered its foremost
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4. Exhibit AAA.

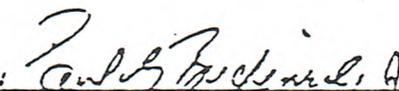
1 lawyer-enemy." However, just as the plaintiffs have First
2 Amendment rights, the defendant has a Constitutional right to
3 an attorney of his own choosing. In legal contemplation the
4 fact that defendant selected Mr. Flynn rather than some other
5 lawyer cannot by itself be tortious. In determining whether
6 the defendant unreasonably invaded Mrs. Hubbard's privacy, the
7 court is satisfied the invasion was slight, and the reasons and
8 justification for defendant's conduct manifest. Defendant was
9 told by Scientology to get an attorney. He was declared an
10 enemy by the Church. He believed, reasonably, that he was
11 subject to "fair game." The only way he could defend himself,
12 his integrity, and his wife was to take that which was
13 available to him and place it in a safe harbor, to wit, his
14 lawyer's custody. He may have engaged in overkill, in the
15 sense that he took voluminous materials, some of which appear
16 only marginally relevant to his defense. But he was not a
17 lawyer and cannot be held to that precise standard of judgment.
18 Further, at the time that he was accumulating the material, he
19 was terrified and undergoing severe emotional turmoil. The
20 court is satisfied that he did not unreasonably intrude upon
21 Mrs. Hubbard's privacy under the circumstances by in effect
22 simply making his knowledge that of his attorneys. It is, of
23 course, rather ironic that the person who authorized G.O. order
24 121669 should complain about an invasion of privacy. The

25
26 5. "No, I think my emotional distress and upset is the
27 fact that someone took papers and materials without my
28 authorization and then gave them to your Mr. Flynn."
Reporter's Transcript, p. 1006.

1 practice of cutting supposedly confidential "P.C. folders or
2 files" to obtain information for purposes of intimidation
3 and/or harassment is repugnant and outrageous. The Guardian's
4 Office, which plaintiff headed, was no respecter of anyone's
5 civil rights, particularly that of privacy. Plaintiff Mary Sue
6 Hubbard's cause of action for conversion must fail for the same
7 reason as plaintiff Church. The documents were all together in
8 Omar Garrison's possession. There was no rational way the
9 defendant could make any distinction.

10 Insofar as the return of documents is concerned, matters
11 which are still under seal may have evidentiary value in the
12 trial of the cross complaint or in other third party
13 litigation. By the time that proceedings on the cross
14 complaint are concluded, the court's present feeling is that
15 those documents or objects not used by that time should be
16 returned to plaintiff. However, the court will reserve
17 jurisdiction to reconsider that should circumstances warrant.

18 Dated: June 20, 1984

19
20 
21 PAUL G. BRECKENRIDGE, JR.
22 Judge of the Superior Court

23
24 THE DOCUMENT TO WHICH THIS CERTIFICATE IS AT-
25 TACHED IS A FULL TRUE AND CORRECT COPY OF THE
26 ORIGINAL ON FILE AND OF RECORD IN MY OFFICE.

27 ATTEST SEP 11 1984 19
28 JOHN J. CORCORAN, County Clerk and Clerk of the
Superior Court of California,
County of Los Angeles
BY S. Hurst DEPUTY

S. HURST

1
2 Appendix

3 Defendant Armstrong was involved with Scientology from
4 1969 through 1981, a period spanning 12 years. During that
5 time he was a dedicated and devoted member who revered the
6 founder, L. Ron Hubbard. There was little that Defendant
7 Armstrong would not do for Hubbard or the Organization. He
8 gave up formal education, one-third of his life, money and
9 anything he could give in order to further the goals of
10 Scientology, goals he believed were based upon the truth,
11 honesty, integrity of Hubbard and the Organization.

12 From 1971 through 1981, Defendant Armstrong was a member
13 of the Sea Organization, a group of highly trained
14 scientologists who were considered the upper echelon of the
15 Scientology organization. During those years he was placed in
16 various locations, but it was never made clear to him exactly
17 which Scientology corporation he was working for. Defendant
18 Armstrong understood that, ultimately, he was working for L.
19 Ron Hubbard, who controlled all Scientology finances,
20 personnel, and operations while Defendant was in the Sea
21 Organization.

22 Beginning in 1979 Defendant Armstrong resided at Gilman
23 Hot Springs, California, in Hubbard's "Household Unit." The
24 Household Unit took care of the personal wishes and needs of
25 Hubbard at many levels. Defendant Armstrong acted as the L.
26 Ron Hubbard Renovations In-Charge and was responsible for
27 renovations, decoration, and maintenance of Hubbard's home and
28 office at Gilman Hot Springs.

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1 In January of 1980 there was an announcement of a possible
2 raid to be made by the FBI or other law enforcement agencies of
3 the property. Everyone on the property was required by
4 Hubbard's representatives, the Commodore's Messengers, to go
5 through all documents located on the property and "vet" or
6 destroy anything which showed that Hubbard controlled
7 Scientology organizations, retained financial control, or was
8 issuing orders to people at Gilman Hot Springs.

9 A commercial paper shredder was rented and operated day
10 and night for two weeks to destroy hundreds of thousands of
11 pages of documents.

12 During the period of shredding, Brenda Black, the
13 individual responsible for storage of Hubbard's personal
14 belongings at Gilman Hot Springs, came to Defendant Armstrong
15 with a box of documents and asked whether they were to be
16 shredded. Defendant Armstrong reviewed the documents and found
17 that they consisted of a wide variety of documents including
18 Hubbard's personal papers, diaries, and other writings from a
19 time before he started Dianetics in 1950, together with
20 documents belonging to third persons which had apparently been
21 stolen by Hubbard or his agents. Defendant Armstrong took the
22 documents from Ms. Black and placed them in a safe location on
23 the property. He then searched for and located another twenty
24 or more boxes containing similar materials, which were poorly
25 maintained.

26 On January 8, 1980, Defendant Armstrong wrote a petition
27 to Hubbard requesting his permission to perform the research
28 for a biography to be done about his life. The petition states

1 that Defendant Armstrong had located the subject materials and
2 lists of a number of activities he wished to perform in
3 connection with the biography research.

4 Hubbard approved the petition, and Defendant Armstrong
5 became the L. Ron Hubbard Personal Relations Officer Researcher
6 (PPRO Res). Defendant claims that this petition and its
7 approval forms the basis for a contract between Defendant and
8 Hubbard. Defendant Armstrong's supervisor was then Laurel
9 Sullivan, L. Ron Hubbard's Personal Public Relations Officer.

10 During the first part of 1980, Defendant Armstrong moved
11 all of the L. Ron Hubbard Archives materials he had located at
12 Gilman Hot Springs to an office in the Church of Scientology
13 Cedars Complex in Los Angeles. These materials comprised
14 approximately six file cabinets. Defendant Armstrong had
15 located himself in the Cedars Complex, because he was also
16 involved in "Mission Corporate Category Sort-Out," a mission to
17 work out legal strategy. Defendant Armstrong was involved with
18 this mission until June of 1980.

19 It was also during this early part of 1980 that Hubbard
20 left the location in Gilman Hot Springs, California, and went
21 into hiding. Although Defendant Armstrong was advised by
22 Laurel Sullivan that no one could communicate with Hubbard,
23 Defendant Armstrong knew that the ability for communication
24 existed, because he had forwarded materials to Hubbard at his
25 request in mid-1980.

26 Because of this purported inability to communicate with
27 Hubbard, Defendant Armstrong's request to purchase biographical
28 materials of Hubbard from people who offered them for sale went

1 to the Commoc. 's Messenger Organization, the personal
2 representatives of Hubbard.

3 In June of 1980 Defendant Armstrong became involved in the
4 selection of a writer for the Hubbard biography. Defendant
5 Armstrong learned that Hubbard had approved of a biography
6 proposal prepared by Omar Garrison, a writer who was not a
7 member of Scientology. Defendant Armstrong had meetings with
8 Mr. Garrison regarding the writing of the biography and what
9 documentation and assistance would be made available to him.
10 As understood by Mr. Garrison, Defendant Armstrong represented
11 Hubbard in these discussions.

12 Mr. Garrison was advised that the research material he
13 would have at his disposal were Hubbard's personal archives.
14 Mr. Garrison would only undertake a writing of the biography if
15 the materials provided to him were from Hubbard's personal
16 archives, and only if his manuscript was subject to the
17 approval of Hubbard himself.

18 In October of 1980 Mr. Garrison came to Los Angeles and
19 was toured through the Hubbard archives materials that
20 Defendant Armstrong had assembled up to that time. This was an
21 important "selling point" in obtaining Mr. Garrison's agreement
22 to write the biography. On October 30, 1980, an agreement was
23 entered into between Ralston-Pilot, ncv. F/S/O Omar V.
24 Garrison, and AOSH DK Publications of Copenhagen, Denmark, for
25 the writing of a biography of Hubbard.

26 Paragraph 10B of the agreement states that:

27 "Publisher shall use its best efforts to provide
28 Author with an office, an officer assistant and/or

1 research assistant, office supplies and any needed
2 archival and interview materials in connection with
3 the writing of the Work."

4 The "research assistant" provided to Mr. Garrison was
5 Defendant Armstrong.

6 During 1980 Defendant Armstrong exchanged correspondence
7 with Intervenor regarding the biography project. Following his
8 approval by Hubbard as biography researcher, Defendant
9 Armstrong wrote to Intervenor on February 5, 1980, advising her
10 of the scope of the project. In the letter Defendant stated
11 that he had found documents which included Hubbard's diary from
12 his Orient trip, poems, essays from his youth, and several
13 personal letters, as well as other things.

14 By letter of February 11, 1980, Intervenor responded to
15 Defendant, acknowledging that he would be carrying out the
16 duties of Biography Researcher.

17 On October 14, 1980, Defendant Armstrong again wrote to
18 Intervenor, updating her on "Archives materials" and proposing
19 certain guidelines for the handling of those materials.

20 It was Intervenor who, in early 1981, ordered certain
21 biographical materials from "Controller Archives" to be
22 delivered to Defendant Armstrong. These materials consisted of
23 several letters written by Hubbard in the 1920's and 1930's,
24 Hubbard's Boy Scout books and materials, several old Hubbard
25 family photographs, a diary kept by Hubbard in his youth, and
26 several other items.

27 Defendant Armstrong received these materials upon the
28 order of Intervenor, following his letter of October 15, 1980,

1 to her in which Defendant stated, at page 7, that there were
2 materials in the "Controller Archives" that would be helpful to
3 him in the biography research.

4 After these materials were delivered to Defendant
5 Armstrong, Intervenor was removed from her Scientology position
6 of Controller in 1981, presumably because of her conviction for
7 the felony of obstruction of justice in connection with the
8 theft of Scientology documents from various government offices
9 and agencies in Washington, D.C.

10 During the time Defendant Armstrong worked on the
11 biography project and acted as Hubbard Archivist, there was
12 never any mention that he was not to be dealing with Hubbard's
13 personal documents or that the delivery of those documents to
14 Mr. Garrison was not authorized.

15 For the first year or more of the Hubbard biography and
16 archive project, funding came from Hubbard's personal staff
17 unit at Gilman Hot Springs, California. In early 1981,
18 however, Defendant Armstrong's supervisor, Laurel Sullivan,
19 ordered him to request that funding come from what was known as
20 SEA Org Reserves. Approval for this change in funding came
21 from the SEA Org Reserves Chief and Watch Dog Committee, the
22 top Commodores Messenger Organization unit, who were Hubbard's
23 personal representatives.

24 From November of 1980 through 1981, Defendant Armstrong
25 worked closely with Mr. Garrison, assembling Hubbard's archives
26 into logical categories, copying them and arranging the copies
27 of the Archives materials into bound volumes. Defendant
28 Armstrong made two copies of almost all documents copied for

1 Mr. Garrison - one for Mr. Garrison and the other to remain in
2 Hubbard Archives for reference or recopying. Defendant
3 Armstrong created approximately 400 binders of documents. The
4 vast majority of the documents for Mr. Garrison came from
5 Hubbard's personal Archives, of which Defendant Armstrong was
6 in charge. Materials which came from other Archives, such as
7 the Controller Archives, were provided to Defendant Armstrong
8 by Scientology staff members who had these documents in their
9 care.

10 It was not until late 1981 that Plaintiff was to provide a
11 person to assist on the biography project by providing Mr.
12 Garrison with "Guardian Office" materials, otherwise described
13 as technical materials relating to the operation of
14 Scientology. The individual appointed for this task was Vaughn
15 Young. Controller Archives and Guardian Office Archives had no
16 connection to the Hubbard Archives, which Defendant Armstrong
17 created and maintained as Hubbard's personal materials.

18 In addition to the assemblage of Hubbard's Archives,
19 Defendant Armstrong worked continually on researching and
20 assembling materials concerning Hubbard by interviewing dozens
21 of individuals, including Hubbard's living aunt, uncle, and
22 four cousins. Defendant Armstrong did a geneology study of
23 Hubbard's family and collected, assembled, and read hundreds of
24 thousands of pages of documentation in Hubbard's Archives.

25 During 1980 Defendant Armstrong remained convinced of
26 Hubbard's honesty and integrity and believed that the
27 representations he had made about himself in various
28 publications were truthful. Defendant Armstrong was devoted to

1 Hubbard and was convinced that any information which he
2 discovered to be unflattering of Hubbard or contradictory to
3 what Hubbard has said about himself, was a lie being spread by
4 Hubbard's enemies. Even when Defendant Armstrong located
5 documents in Hubbard's Archives which indicated that
6 representations made by Hubbard and the Organization were
7 untrue, Defendant Armstrong would find some means to "explain
8 away" the contradictory information.

9 Slowly, however, throughout 1981, Defendant Armstrong
10 began to see that Hubbard and the Organization had continuously
11 lied about Hubbard's past, his credentials, and his
12 accomplishments. Defendant Armstrong believed, in good faith,
13 that the only means by which Scientology could succeed in what
14 Defendant Armstrong believed was its goal of creating an
15 ethical environment on earth, and the only way Hubbard could be
16 free of his critics, would be for Hubbard and the Organization
17 to discontinue the lies about Hubbard's past, his credentials,
18 and accomplishments. Defendant Armstrong resisted any public
19 relations piece or announcement about Hubbard which the L. Ron
20 Hubbard Public Relations Bureau proposed for publication which
21 was not factual. Defendant Armstrong attempted to change and
22 make accurate the various "about the author" sections in
23 Scientology books, and further, Defendant rewrote or critiqued
24 several of these and other publications for the L. Ron Hubbard
25 Public Relations Bureau and various Scientology Organizations.
26 Defendant Armstrong believed and desired that the Scientology
27 Organization and its leader discontinue the perpetration of the

28 ///

1 massive fraud upon the innocent followers of Scientology, and
2 the public at large.

3 Because of Defendant Armstrong's actions, in late November
4 of 1981, Defendant was requested to come to Gilman Hot Springs
5 by Commodore Messenger Organization Executive, Cirrus Slevin.
6 Defendant Armstrong was ordered to undergo a "security check,"
7 which involved Defendant Armstrong's interrogation while
8 connected to a crude Scientology lie detector machine called an
9 E-meter.

10 The Organization wished to determine what materials
11 Defendant Armstrong had provided to Omar Garrison. Defendant
12 Armstrong was struck by the realization that the Organization
13 would not work with him to correct the numerous fraudulent
14 representations made to followers of Scientology and the public
15 about L. Ron Hubbard and the Organization itself. Defendant
16 Armstrong, who, for twelve years of his life, had placed his
17 complete and full trust in Mr. and Mrs. Hubbard and the
18 Scientology Organization, saw that his trust had no meaning and
19 that the massive frauds perpetrated about Hubbard's past,
20 credentials, and accomplishments would continue to be spread.

21 Less than three weeks before Defendant Armstrong left
22 Scientology, he wrote a letter to Cirrus Slevin on November 25,
23 1981, in which it is clear that his intentions in airing the
24 inaccuracies, falsehoods, and frauds regarding Hubbard were
25 done in good faith. In his letter he stated as follows:

26 "If we present inaccuracies, hyperbole
27 - or downright lies as fact or truth, it
28 doesn't matter what slant we give them, if

1 talking here about biographical or
2 non-technical writings. This only leads,
3 should any of his statements turn out to be
4 inaccurate, to a make-wrong of him, and
5 consequently his technology.

6 "That's what I'm trying to remedy and
7 prevent.

8
9 "To say that LRH is not capable of
10 hype, errors or lies is certainly ^{sic} not
11 granting him much of a beingness. To
12 continue on with the line that he has never
13 erred nor lied is counterproductive. It is
14 an unreal attitude and too far removed from
15 both the reality and people in general that
16 it would widen public unacceptance.

17
18 " That is why I feel the
19 falsities must be corrected, and why we
20 must verify our facts and present them in a
21 favorable light."

22
23 The remainder of the letter contains examples of facts
24 about Hubbard which Defendant Armstrong found to be wholly
25 untrue or inaccurate and which were represented as true by the
26 Hubbards and the Scientology Organization.

27 In December of 1981 Defendant Armstrong made the decision
28 to leave the Church of Scientology. In order to continue in

1 his commitment to Hubbard and Mr. Garrison in the biography
2 project, he copied a large quantity of documents, which Mr.
3 Garrison had requested or which would be useful to him for the
4 biography. Defendant Armstrong delivered all of this material
5 to Mr. Garrison the date he left the SEA Organization and kept
6 nothing in his possession.

7 Thereafter, Defendant Armstrong maintained friendly
8 relations with Hubbard's representatives by returning to the
9 Archives office and discussing the various categories of
10 materials. In fact on February 24, 1982, Defendant Armstrong
11 wrote to Vaughn Young, regarding certain materials Mr. Young
12 was unable to locate for Omar Garrison.

13 After this letter was written, Defendant Armstrong went to
14 the Archives office and located certain materials Mr. Garrison
15 had wanted which Hubbard representatives claimed they could not
16 locate.

17 At the time Defendant Armstrong left the SEA Organization,
18 he was disappointed with Scientology and Hubbard, and also felt
19 deceived by them. However, Defendant Armstrong felt he had no
20 enemies and felt no ill will toward anyone in the Organization
21 or Hubbard, but still believed that a truthful biography should
22 be written.

23 After leaving the SEA Organization, Defendant ARMstrong
24 continued to assist Mr. Garrison with the Hubbard biography
25 project. In the spring of 1982, Defendant Armstrong at Mr.
26 Garrison's request, transcribed some of his interview tapes,
27 copied some of the documentation he had, and assembled several
28 more binders of copied materials. Defendant Armstrong also set

1 up shelves for Mr. Garrison for all the biography research
2 materials, worked on a cross-reference systems, and continued
3 to do library research for the biography.

4 On February 18, 1982, the Church of Scientology
5 International issued a "Suppressive Person Declare Gerry
6 Armstrong," which is an official Scientology document issued
7 against individuals who are considered as enemies of the
8 Organization. Said Suppressive Person Declare charged that
9 Defendant Armstrong had taken an unauthorized leave and that he
10 was spreading destructive rumors about Senior Scientologists.

11 Defendant Armstrong was unaware of said Suppressive Person
12 Declare until April of 1982. At that time a revised Declare
13 was issued on April 22, 1982. Said Declare charged Defendant
14 Armstrong with 18 different "Crimes and High Crimes and
15 Suppressive Acts Against the Church." The charges included
16 theft, juggling accounts, obtaining loans on money under false
17 pretenses, promulgating false information about the Church,
18 its founder, and members, and other untruthful allegations
19 designed to make Defendant Armstrong an appropriate subject of
20 the Scientology "Fair Game Doctrine." Said Doctrine allows any
21 suppressive person to be "tricked, cheated, lied to, sued, or
22 destroyed."

23 The second declare was issued shortly after Defendant
24 Armstrong attempted to sell photographs of his wedding on board
25 Hubbard's ship (in which Hubbard appears), and photographs
26 belonging to some of his friends, which also included photos of
27 L.R. Hubbard while in seclusion. Although Defendant Armstrong
28 delivered the photographs to a Virgil Wilhite for sale, he

1 never received payment or return of his friend's photographs.
2 When he became aware that the Church had these photographs, he
3 went to the Organization to request their return. A loud and
4 boisterous argument ensued, and he eventually was told to leave
5 the premises and get an attorney.

6 From his extensive knowledge of the covert and
7 intelligence operations carried out by the Church of
8 Scientology of California against its enemies (suppressive
9 persons), Defendant Armstrong became terrified and feared that
10 his life and the life of his wife were in danger, and he also
11 feared he would be the target of costly and harassing lawsuits.
12 In addition, Mr. Garrison became afraid for the security of the
13 documents and believed that the intelligence network of the
14 Church of Scientology would break and enter his home to
15 retrieve them. Thus, Defendant Armstrong made copies of
16 certain documents for Mr. Garrison and maintained them in a
17 separate location.

18 It was thereafter, in the summer of 1982, that Defendant
19 Armstrong asked Mr. Garrison for copies of documents to use in
20 his defense and sent the documents to his attorneys, Michael
21 Flynn and Contos & Bunch.

22 After the within suit was filed on August 2, 1982,
23 Defendant Armstrong was the subject of harassment, including
24 being followed and surveilled by individuals who admitted
25 employment by Plaintiff; being assaulted by one of these
26 individuals; being struck bodily by a car driven by one of
27 these individuals; having two attempts made by said individuals
28 apparently to involve Defendant Armstrong in a freeway

1 automobile accident; having said individuals come onto
2 Defendant Armstrong's property, spy in his windows, create
3 disturbances, and upset his neighbors. During trial when it
4 appeared that Howard Schomer (a former Scientologist) might be
5 called as a defense witness, the Church engaged in a somewhat
6 sophisticated effort to suppress his testimony. It is not
7 clear how the Church became aware of defense intentions to call
8 Mr. Schomer as a witness, but it is abundantly clear they
9 sought to entice him back into the fold and prevent his
10 testimony.

Eric M. Lieberman, Esq.
Rabinowitz, Boudin, Standard,
Krinsky & Lieberman, P.C.
740 Broadway, Fifth Floor
New York, NY 10003-9518

August 21, 1991

Dear Mr. Lieberman:

Organization operatives filmed me yesterday at least in the following situations:

1. Talking to an employee of attorney Ford Greene, in the doorway to Mr. Greene's office, at 711 Sir Francis Drake in San Anselmo, California.
2. Walking outside Mr. Greene's office.
3. Pulling on a T-shirt outside Mr. Greene's office.
4. Running outside Mr. Green's office.

Whilst I was on foot I was also pursued by one of the operatives driving a white Cadillac.

The driver of the Cadillac was later confronted by Mr. Greene who also recorded the licence number of Cadillac and the other vehicle being used by the operatives.

I doubt that you find it hard to believe that I consider the organization's operation has as its major target in the eval known but to two or maybe three or even four the assassination of Gerry Armstrong.

I am not unmindful of your use of the earlier videotape event in your Petition For Rehearing filed in the Armstrong appeal (n. 1, p. 6, second edition; n. 2, p.5, first edition).

There was no reason to videotape me as proof that I was associating with Ford Greene. I had spoken the day before to two of your fellow org lawyers, Laurie Bartilson and Bill Drescher, and two men from SO legal liaison staff, Howard Gutfeld and August Murphy, and from none of whom had I withheld the fact that I was helping Mr. Greene. None of them were not aware that I was speaking to them from Mr. Greene's office because all of them except for Mr. Murphy called Mr. Greene's office and I had spoken to

them when I answered Mr. Greene's telephone to take messages for him while he was out of his office. Mr. Murphy spent some time in Mr. Greene's office and we spoke for a few minutes. I am quite certain he left with the impression that I was helping Mr. Greene, and specifically in the Aznaran case since, in addition to my saying so, he did observe me carrying into Mr. Greene's office two boxes containing the mega-copies of the two Oppositions to Summary Judgment Motions (Statute of Limitations and First Amendment) and related documents, and did hear me lament that his organization had cost Mr. Greene that very day over seven hundred dollars in copying costs.

I did note the sophrosynial shift in the two writers of the second edition of the Petition For Rehearing. I imagine the organization's idea of having Marty talk to me is not in the works.

I'm sure you understand why I do help those who need it, and why people who litigate with the organization need it. And I'm sure you know how utterly unbiased I am in that all I oppose are antisocial policies and activities. In that Scientology denies that any of its policies or activities are antisocial I am not opposed in any way to what Scientology says it is and says it does. I am only opposed to antisocial policies and practices.

It is really a matter of logistics. Your organization scares people. It scares me. There are therefore few people willing to do what needs to be done regarding the organization. I am simply willing to do what I can no matter how scary it is. If there were not so many people afraid of your organization I wouldn't need to do what I can to help.

As you know, the organization has at times terrorized me, it has a policy of revenge, its present owners have a personal hatred for me, and it has acted with its fair game doctrine directing its attitude and acts toward me since and in violation of the settlement. Obviously, then, it is in every way reasonable for me to associate with and help those who have the courage to oppose the organizational beast.

Then there's the religious argument. And its legal corollary: if antisocial acts are religious, then so must be any opposition to antisocial acts.

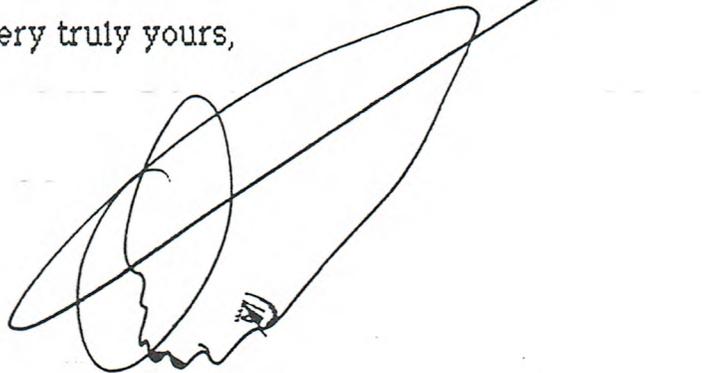
Then there's the matter of theology.

All of which brings me to the matter at hand. You know about compartmentalization, PIs, cutouts, lies and paranoia. There probably are things which can be done to bring the organization's self-destructive

insitutionalized hatred to a peaceful conclusion. Although you exhibit in your most recent descriptions of me and in your willingness to go beyond mere factual twists, a new and greater animus, I still have an idea that you can do something.

I trust you'll reply.

Very truly yours,

A handwritten signature in black ink, appearing to be 'Gerry Armstrong', written in a cursive style. The signature is positioned to the right of the typed text 'Very truly yours,' and is partially obscured by a long, thin diagonal line that extends from the top right towards the center of the page.

Gerry Armstrong
(415)456-8450

Eric M. Lieberman, Esq.
Rabinowitz, Boudin, Standard,
Krinsky & Lieberman, P.C.
740 Broadway, Fifth Floor
New York, NY 10003-9518

August 22, 1991

Dear Mr. Lieberman:

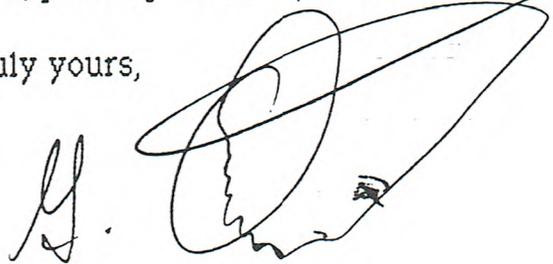
If there be any doubt about the veracity of the facts stated in my letter of yesterday please add these.

Yesterday, after writing you, I returned to Mr. Greene's office. At one point, in the late afternoon while standing outside talking to Mr. Greene, he noticed and pointed out a car perhaps a hundred yards away, across Sir Francis Drake and up a small hill. In it sat a man who at my first glance appeared to be watching us. I ran across SFD, up the hill and approached the car. I could see the man lower an object out of sight. I raised my hands, palms toward him to let him know I meant no harm and was unarmed; in case I had erred in my assessment that the man in the car was an operative, and I was approaching head on at flank speed an innocent innocently eating his dinner. He rolled up the window as I neared. I got very close and looked in the driver's window. He had dark hair, thick, a wiry appearance; i.e., his hair, somewhere in length between yours and mine, and a thick mustache. I couldn't smell his breath because, as I said, the window was rolled up, but I was close enough I imagined it. Height \pm 6'. On the front seat beside him were, inter alia, a video camera and a clipboard and some lawyers' yellow pad sheets. His firearms were clearly out of sight. On the top sheet in pen were written a page of entries with a progression of times beside the entries. I tried to make them out; i.e, the entries, but I was, as you can imagine, freaking out, my pulse was up around 150; not from the short run up the hill but the terror these confrontations strike in me; from a rest rate of + 48; and the driver, after a few second comm lag started the car and began to drive away. I put my body in front of the car because I wanted to get someone from law enforcement somewhere to do something but he let me know through unmistakable gestures that my body was not about to stop his forward progress so I, and I think in this case wisely, stepped aside and let him flee. I did run alongside the car and was near it when Mr. Greene arrived across SFD and also observed the driver and recorded the number from the car's muddied licence plate. When last seen his weapons were still out of sight; nor have I seen any more of him.

You might recall that when org operatives began their summer of 82 psycho-terror campaign I was able to detain the yellow VW by putting my body in front of it. Times and personalities have changed, the new fearless leader shoots photos of innocents with his 45, and for some totally baffling, unreasonably unreasonable reason you guys hate me. And you all sure act as if a sense of humor isn't a gift from God; and it is. Various people, on order from Hubbard or Miscavige, have tried , inter alia, libel, slander, threats, muscle, sworn false witness, frames, blackmail and betrayal. You can understand my concern at knowing that the top, the top operatives and the legal cutouts are chewing over the acts called for to satisfy the next gradient, while not even bothering to keep in mind what a flaming SP I am and what a threat I am to the future of mankind.

You will have probably received by now a report from Terry Gross in your office concerning my call to you of earlier today. If you think there's someone else connected to the organization who might be a more logical person for me to communicate these concerns to, please pass on my letters.

Very truly yours,

A handwritten signature in black ink, appearing to be 'G.A.', followed by a large, loopy flourish that extends across the right side of the page.

Gerry Armstrong
(415)456-8450